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Definitions

BALO : « Bulletin des Annonces Légales Obligatoires » - French Legal Publication for listed companies

« La semaine de l'Ile de France » : French Legal Publication published in the headquarter's

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Financial Statements				
14/2/96	1995 Consolidated Revenues	BALO Press Release	Decree 67-236 of March 23, 1967, article 297	I.1.
24/4/96	1995 Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	I.2.
15/5/96	1996 First Quarter Consolidated Revenues	BALO	Decree 67-236 of March 23, 1967, article 297	I.3.
4/6/96	1995 Annual Report	filed, on April 25, 1996, under COB reference number R.96-088	Decree 67-236 of March 23, 1967, article 295	I.4.
9/8/96	1996 First Half Consolidated Sales	BALO	Decree 67-236 of March 23, 1967, article 297	I.5.
7/10/96	1996 First Half Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 297-1	I.6.
15/11/96	1996 Third Quarter Consolidated Sales	BALO	Decree 67-236 of March 23, 1967, article 297	I.7.
19/2/97	1996 Consolidated Sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 297	I.8.
23/4/97	1996 Results	BALO Press release	Decree 67-236 of March 23, 1967, article 295	I.9.
12/5/97	1997 First Quarter Consolidated Sales	BALO	Decree 67-236 of March 23, 1967, article 297	I.10.
4/6/97	1996 Annual Report	filed, on April 30, 1997, under COB reference number R.97-126	Decree 67-236 of March 23, 1967, article 295	I.11.
6/8/97	1997 First Half Consolidated Revenues	BALO Press release	Decree 67-236 of March 23, 1967, article 297	I.12.
7/10/97	1997 First Half Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 297-1	I.13.
12/11/97	1997 Third Quarter Consolidated Sales	BALO	Decree 67-236 of March 23, 1967, article 297	I.14.
12/2/98	1997 Consolidated Sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 297	I.15.

Financial Statements				
7/4/98	1997 results	BALO Press release	Decree 67-236 of March 23, 1967, article 295	1.16.
15/5/98	1998 First quarter consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 297	1.17.
9/6/98	1997 Annual Report	filed, on May 20, 1998, under COB reference number R.98-204	Decree 67-236 of March 23, 1967, article 295	1.18.
11/8/98	1998 first half consolidated sales	BALO Press release	Decree 67-236 of March 23, 1967, article 297	1.19.
6/10/98	1998 first half consolidated results	BALO Press release	Decree 67-236 of March 23, 1967, article 297-1	1.20.
11/2/99	1998 consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 297	1.21.
30/3/99	1998 results	BALO Press release	Decree 67-236 of March 23, 1967, article 295	1.22.
6/5/99	1999 first quarter consolidated sales	BALO Press release	Decree 67-236 of March 23, 1967, article 297	1.23.
4/8/99	1999 first half consolidated sales	BALO Press release	Decree 67-236 of March 23, 1967, article 297	1.24.
29/9/99	1999 first half consolidated results	BALO Press release	Decree 67-236 of March 23, 1967, article 297	1.25.
8/11/99	1999 first nine months consolidated sales	BALO Press release	Decree 67-236 of March 23, 1967, article 297	1.26.
4/2/00	1999 consolidated sales	BALO Press release	Decree 67-236 of March 23, 1967, article 297	1.27.
9/2/00	1999 result forecasts upgraded	Press release	Decree 67-236 of March 23, 1967, article 297	1.28.
21/3/00	1999 Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.29.
09/05/00	2000 first quarter consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.30.
27/07/00	2000 first half consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.31.

Financial Statements				
27/09/00	2000 first half results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.32.
30/10/00	2000 First nine months consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.33.
31/01/01	2000 consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.34.
13/03/01	2000 Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.35
09/05/01	2001 first quarter consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.36
02/08/01	2001 Half Year consolidated sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.37
19/09/01	2001 Half Year Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.38
06/11/01	Consolidated Sales for the First Nine Months of 2001	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.39
29/01/02	Consolidated Sales for the Full Year of 2001	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.40
06/03/02	2001 Full Year Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.41
02/05/02	Consolidated Sales for the first three months of 2002	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.42
30/07/02	Consolidated Sales for the Half Year of 2002	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.43
16/09/02	2002 Half Year Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.44
05/11/02	Consolidated Sales for the First Nine Months of 2002	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.45
05/02/03	Consolidated Sales for the Full Year of 2002	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.46
05/03/03	2002 Full Year Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.47

06/05/03	Consolidated Sales for the first three months of 2003	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.48
31/07/03	H1 2003 Consolidated Sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.49
10/09/03	2003 First Half Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.50
05/11/03	9M 2003 Consolidated Sales	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.51
28/01/04	Consolidated Sales for the Full Year of 2003	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.52
22/04/04	2003 Full Year Results	BALO Press Release	Decree 67-236 of March 23, 1967, article 295	1.53

Invitations to Shareholders' Meetings				
26/4/96	Invitation to General Ordinary and Extraordinary Shareholders' Meeting of June 4, 1996	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.1.
22/11/96	Invitation to General Extraordinary Shareholders' Meeting of January 7, 1997	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.2.
25/4/97	Invitation to General Ordinary and Extraordinary Shareholders' Meeting of June 4, 1997	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.3.
12/5/98	Invitation to General Ordinary and Extraordinary Shareholders' Meetings of June 9, 1998	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.4.
10/5/99	Invitation to Ordinary General Meeting of Shareholders of May 27, 1999	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.5.
5/11/99	Invitation to Extraordinary General Meeting of Shareholders	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.6.
15/05/00	Invitation to Extraordinary General Meeting of Shareholders	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.7.
30/04/01	Invitation to Combined Meeting of Shareholders	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.8.
15/04/02	Invitation to Combined Meeting of Shareholders	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.9.
15/05/03	Invitation to Combined Meeting of Shareholders	BALO Send to Shareholders	Decree 67-236 of March 23, 1967, article 130	II.10.

Changes in Share Capital		
4/6/96	Increase in share capital by FF 343,685,400 through the creation of 3,436,854 new shares with FF 100 per value each to be distributed to IBL shareholders for the payment of their transfers	BALO La semaine de l'Île de France Decree 67-236 of March 23, 1967, article 287
22/7/96	Increase in share capital by FF 72,327,400 through the creation of 723,274 new shares with FF 100 per value each for the payment of the 1995 stock dividend	BALO La semaine de l'Île de France Decree 67-236 of March 23, 1967, article 287

31/12/96	Increase in share capital by FF 4,120,500 through the creation of 41,205 new shares with FF 100 per value each (bonds converted and stock options exercised)	BALO La semaine de l'Ile de France	Decree 67-236 of March 23, 1967, article 287
4/6/97	Increase in share capital by FF 234,776,100 through the creation of 2,347,761 shares with FF 100 per value each to be distributed to Sphere International shareholders following the share exchange parity of the merger/acquisition by Accor	BALO La semaine de l'Ile de France	Decree 67-236 of March 23, 1967, article 287
15/12/99	Increase in share capital by € 8,271,045 through the issuance of 551,403 shares with € 15 par value each to be distributed to Participations SA and SEIH shareholders following the share exchange parity of the merger and transfer of the hotel assets	BALO Les Echos Press release	Decree 67-236 of March 23, 1967, article 287
15/12/99	Five-for-one split of the Accor share, from € 15 to € 3 ; total share capital of € 551,487,225 represented by 183,829,075 shares of € 3 par value	BALO Les Echos Press release	Decree 67-236 of March 23, 1967, article 287

Financial Operations				
26/4/96	Accor's Exchange Offer on IBL shares	Filed under COB reference number E.96-090 Press Release	COB Rule 91-02, article 15-1	IV.1.
23/5/96	Success of Accor's Exchange Offer on IBL shares	Press Release	COB Rule 91-02, article 15-1	IV.2.
25/4/97	Merger/Acquisition of Economy and Budget Hotel activities within Accor	Filed under COB reference number E.97-111 Press Release	COB Rule 91-02, article 15-1	IV.3.
4/12/97	Buy out offer for shares of AAPC	Press Release	COB Rule 90-02, article 4	IV.4.
13/2/98	Successful Offer for AAPC	Press Release	COB Rule 90-02, article 4	IV.5.
12/7/99	Red Roof Inns Inc. to be acquired by Accor	Press Release	COB Rule 98-07	IV.6.
13/8/99	Accor holds over 99% of shares of Red Roof Inns, Inc. upon the completion of the tender offer	Press Release	COB Rule 98-07	IV.7.
05/07/01	Issuing of a € 800,000,000 5.75% Notes due July 5, 2006	Offering Circular	Filed under Clearstream Luxembourg number 013144036 and Euroclear France number 48640	IV.8.
10/01/02	Takeover Bid for Compagnie Européenne de Casinos	Filed under COB reference n°02-013 dated January 8, 2002 Press Release	COB	IV.9.

Other			
15/05/00	Letter to Shareholders		V.22.
30/05/00	1999 Annual Report		V.23.
15/10/00	Letter to Shareholders		V.24.
15/04/01	Letter to Shareholders		V.25.
01/06/01	2000 annual report		V.26.
01/06/02	2001 annual report		V.27
21/05/03	2002 financial statements		V.28

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Press Release OFFICE OF INTERNATIONAL CORPORATE FINANCE

**2003 Profit Before Tax : EUR 523 million
Firm Resilience In A Very Tough Year**


Paris, March 3, 2004

In EUR millions	2002	2003	Reported Changes	Changes excluding currency effect
Consolidated Sales	7,139	6,828	- 4.3%	+ 1.1%
Ebitdar	1,936	1,769	- 8.6%	- 1.9 %
Ebitdar Margin	27.1%	25.9%	- 1.2 pt	- 0.8 pt
Profit Before Tax	703	523	- 25.6%	- 18.9%
Net Income, Group Share	430	270	- 37.2%	
Earnings per Share (in EUR)	2.18	1.36	- 37.6%	
Proposed Dividend (in EUR)	1.05	1.05	-	
Funds from Operations	961	847	- 11.9%	

2003 Business Review

Geopolitical events, the economic slowdown and turmoil in the currency markets made 2003 an exceptionally difficult year for the travel and services industries. In this environment, Accor reported profit before tax of EUR 523 million (down 25.6%), exceeding the announced target of EUR 500 million. The decline, which amounted to 40.6% to EUR 180 million in the first half, was limited to 14.3% in the second, when profit before tax totalled EUR 343 million. Despite the decline in sales, margins in the Hotels and Services businesses edged back only slightly, demonstrating firm resistance thanks to disciplined cost control. The travel agencies improved their profitability in a challenging business environment.

Net income, Group share totalled EUR 270 million. Funds from operations amounted to EUR 847 million, while consolidated debt was reduced by EUR 340 million to EUR 2,462 million.



Shareholders will be asked to approve a **dividend** of EUR 1.05, unchanged from the previous year.

Accor also continued to expand in 2003, opening 170 hotels and making targeted strategic acquisitions in Services.

First-half 2003 was particularly unfavorable, but encouraging signs of recovery later appeared in the United States, the United Kingdom and, to a lesser extent, Germany. In France, where the number of international tourists dropped significantly, the upturn has to be confirmed. Conditions improved in the Asia-Pacific region in the second half, while demand held firm in most countries in Africa and South America.

Outlook

Accor enjoys a number of specific growth drivers, including a unique network of more than 2,000 hotels in Europe, a privileged position in the economy segment, expansion projects already underway for nearly 300 hotels, Sofitel's growing reputation in the international upscale segment and the worldwide potential of the Services business in human resources management.

With these strengths, supported by the Group's training and motivational policies, as well as by the professionalism and dedication of its employees, Accor is ready for the expected recovery.

With 150,000 associates in 140 countries, **Accor** is the European leader and one of the world's largest groups in travel, tourism and corporate services, with two major international activities:

- **hotels**: nearly 4,000 hotels (more than 450,000 rooms) in 90 countries, casinos, travel agencies, and restaurants;
- **services** to corporate clients and public institutions: 14 million people in 34 countries use a broad range of services (food vouchers, people care and services, incentive, loyalty programs, events) engineered and managed by Accor.

Contacts

Eliane Rouyer

Director

Investors Relations

T : 00.33.1(0)1.45.38.86.26

*Further information on Accor is available on **accor.com***

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In € millions	Notes	2001	2002	2003
Revenues		7 218	7 071	6 774
Other operating revenues		72	68	54
CONSOLIDATED REVENUES	3	7 290	7 139	6 828
Operating expense		(5 319)	(5 203)	(5 059)
EBITDAR	4	1 971	1 936	1 769
Rental expense	5	(698)	(726)	(730)
EBITDA		1 273	1 210	1 039
Depreciation and operating provision expense	6	(443)	(455)	(436)
EBIT	7	830	755	603
Net interest expense	8	(92)	(66)	(74)
Income from companies accounted for by the equity method	9	20	14	(6)
PROFIT BEFORE TAX		758	703	523
Gains and losses on disposal of hotel properties	10	29	54	68
Gains and losses on disposal of other assets	11	66	(30)	(17)
Amortization of goodwill	14	(102)	(109)	(107)
Income tax	12	(246)	(234)	(163)
Exceptional items (net of tax and minority interests)	13	-	68	-
CONSOLIDATED NET INCOME	36	505	452	304
Minority interests	23	(31)	(22)	(34)
NET INCOME (GROUP SHARE)		474	430	270
Weighted average number of shares outstanding (in thousands)	22	197 042	197 573	197 730
BASIC EARNINGS PER SHARE (in €)		2,40	2,18	1,36
Fully diluted earnings per share (in €)	22	2,39	2,14	1,35
DIVIDEND PER SHARE (IN €)		1,05	1,05	1,05 *

* recommended, subject at approval of the Annual Shareholders' meeting

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	2001	2002	2003
In € millions				
GOODWILL	14	1 879	1 679	1 719
INTANGIBLE FIXED ASSETS	15	533	479	384
PROPERTY, PLANT AND EQUIPMENT	16	5 026	4 521	4 133
Long-term loans	17	334	429	450
Investments in companies accounted for by the equity method	18	266	249	202
Other investments	19	282	487	386
TOTAL FINANCIAL ASSETS		882	1 165	1 038
TOTAL FIXED ASSETS	20	8 320	7 844	7 274
Inventories		89	90	64
Trade accounts receivable		1 218	1 139	1 074
Other receivables and accruals	21	926	957	946
Service voucher reserve funds		305	345	340
Receivables on asset disposals	28	101	20	18
Short-term loans	28	47	160	186
Marketable securities	28	830	541	833
Cash and cash equivalents	28	264	179	221
TOTAL CURRENT ASSETS		3 780	3 431	3 682
TOTAL ASSETS		12 100	11 275	10 956

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2001	2002	2003
In € millions				
Share capital		592	593	593
Additional paid-in capital		1 892	1 903	1 903
Reserves (retained earnings)		926	1 102	1 268
Cumulative translation adjustment		255	(135)	(447)
Net income for the year		474	430	270
SHAREHOLDERS' EQUITY	22	4 139	3 893	3 587
Minority interests	23	140	91	96
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS		4 279	3 984	3 683
Provisions for contingencies and charges	24	537	528	551
Repackaged Perpetual Subordinated Floating Rate Notes (TSDI)	25 & 28	214	151	80
Convertible bonds (OCEANES)	26 & 28	-	570	1 186
Other long-term debt	28	3 007	2 493	1 896
Obligations under finance leases	28	220	158	182
TOTAL LONG-TERM DEBT	27	3 441	3 372	3 344
TOTAL NON-CURRENT LIABILITIES AND SHAREHOLDERS' EQUITY		8 257	7 884	7 578
Trade accounts payable		683	655	647
Other payables and accruals	21	1 064	1 101	1 009
Service vouchers in circulation		1 446	1 304	1 346
Short-term debt	27 & 28	537	234	278
Bank overdrafts	28	113	97	98
TOTAL CURRENT LIABILITIES		3 843	3 391	3 378
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12 100	11 275	10 956

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions at 31 December 2003	Notes	2001	2002	2003
EBITDA		1 273	1 210	1 039
Net interest expense (including provision movements)		(92)	(66)	(74)
Income tax (including provision movements)		(161)	(196)	(147)
Elimination of provision movements included in net interest expense and income tax		(21)	9	24
Dividends received from companies accounted for by the equity method		6	4	5
FUNDS FROM OPERATIONS	29	1 005	961	847
Renovation and maintenance expenditure (1)	30	(405)	(316)	(284)
FREE CASH FLOW		600	645	563
Development expenditures and investments in technology (2)	31	(923)	(802)	(586)
Proceeds from disposals of assets (3)		535	660	461
Decrease / (increase) in working capital	(*)	(99)	(46)	78
Non-operating (gains) losses		(36)	(39)	(63)
NET CASH PROVIDED (USED) BY OPERATING AND INVESTING ACTIVITIES		77	418	453
Dividends paid (4)		(271)	(326)	(294)
Share issues (reduction in capital) (5)		(1)	12	-
Effect of exchange rate changes (6)	(*)	(109)	144	173
Impact of changes in the scope of consolidation on provisions and minority interests (7)		2	3	8
Reclassification of Compass shares as long term investments		-	(204)	-
DECREASE / (INCREASE) IN NET DEBT	28	(302)	47	340
Net debt at beginning of period		(2 547)	(2 849)	(2 802)
Net debt at end of period		(2 849)	(2 802)	(2 462)
DECREASE / (INCREASE) IN NET DEBT	28	(302)	47	340
NET CASH FROM OPERATING ACTIVITIES		870	672	862
NET CASH USED BY INVESTING ACTIVITIES (1)+(2)+(3)		(793)	(458)	(409)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (4)+(5)		(272)	(314)	(294)
OTHER CASH FLOWS (6)+(7)	(*)	(107)	147	181
DECREASE / (INCREASE) IN NET DEBT (see note 28)		(302)	47	340

(*) The December 2001 and 2002 accounts of variation of working capital were decreased by monetary variations impacting the working capital.

These non-cash variations were reclassified as "Effect of exchange rate changes" for respectively € 16 million and €119 million.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (BEFORE MINORITY INTERESTS)

In € millions	Number of shares outstanding	Capital stock	Additional paid-in capital	Cumulative translation adjustment (1)	Retained earnings and net income	Consolidated shareholders' equity
At December 31, 2001	197 364 684	592	1 892	255	1 400	4 139
Issuance of shares :						
- On conversion of bonds	51 000	-	-			
- On exercise of stock options						
- Purchases of treasury stock						
- Mergers						
- Employee share issue	314 135	1	11			12
Gross dividends paid					(298)	(298)
Translation adjustments				(390)		(390)
Net income for the year					430	430
At December 31, 2002	197 729 819	593	1 903	(135)	1 532	3 893
Issuance of shares :						
- On conversion of bonds	1000	-	-	-		
- On exercise of stock options						
- Purchases of treasury stock						
- Mergers						
- Employee share issue						
Gross dividends paid					(264)	(264)
Translation adjustments				(312)		(312)
Net income for the semester					270	270
At December 31, 2003 (2)	197 730 819	593	1 903	(447)	1 538	3 587

(1) Including a €14 million negative adjustment related to euro-zone countries at December 31, 2001

Including a €15 million negative adjustment related to euro-zone countries at December 31, 2002

Including a €17 million negative adjustment related to euro-zone countries at December 31, 2003

(2) At December 31, 2003, Accor held 1,528,731 shares in treasury stock, for €55 million. These shares have been deducted from shareholders' equity at cost.

The €312 million negative translation adjustment for 2003 primarily concerns the US dollar. The Euro's evolution against the dollar resulted in a negative translation adjustment to the value of the Group's North American assets, mainly Motel 6 and Red Roof Inns, in the amount of €237 million for 2003.

The US dollar / euro exchange rates used were:

▪ at December 2001	0.8813
▪ at December 2002	1.0487
▪ at December 2003	1.2630

KEY MANAGEMENT RATIOS

	Notes	2001	2002	2003
Gearing	a	67%	70%	67%
Adjusted Funds From Operations / adjusted net debt	b	17,3%	16,5%	15,7%
Interest Cover	c	5,4	5,6	5,6
Return on Capital Employed	d	11,5%	10,7%	9,2%
Economic Value Added ® (in € millions)	e	291	278	208

Note (a) : Gearing corresponds to the ratio of net debt to shareholders' equity (including minority interests).

Note (b) : Based on the method used by the main rating agencies, the adjusted funds from operations / adjusted net debt ratio is calculated as follows :

- Funds from operations (see consolidated statement of cash flows) are adjusted by adding back two-thirds of rental expense.
- Net debt is adjusted to take into account business acquisitions and disposals, prorated on the basis of the impact on the income statement. For example, the proceeds from a disposal carried out on December 31 will be eliminated in full from the cash equivalents used to compute net debt. Adjusted net debt includes eight times annual rental expense in accordance with the methods recommended by the three leading rating agencies.

Note (c) : Interest cover corresponds to Ebitdar expressed as multiple of net interest expense plus one-third of rental expense.

Note (d) : Return on Capital Employed (ROCE) is defined below.

Note (e) : Economic Value Added (EVA) was calculated as follows for 2001, 2002 and 2003:

		2001	2002	2003
Cost of equity	(1)	9.05%	8.74%	8.15%
Cost of debt (after tax)		2.85%	2.62%	2.33%
Equity / debt weighting				
Equity		60.03%	58.13%	59.93%
Debt		39.97%	41.87%	40.07%
Weighted average cost of capital (WACC)	(2)	6.57%	6.18%	5.82%
ROCE after tax	(3)	9.06%	8.56%	7.63%
Capital employed (see ROCE below) (in € millions)		11 689	11 846	11 599
Economic Value Added ® (in € millions)	(4)	291	278	208

(1) The Beta used to calculate the cost of equity for 2002 and 2003 was 1.0.

(2) WACC is determined as follows :

$$\text{Cost of Equity} \times \frac{\text{Equity}}{(\text{Equity} + \text{debt})} + \text{Cost of Debt} \times \frac{\text{Debt}}{(\text{Equity} + \text{Debt})}$$

(3) ROCE after tax is determined as follows :

$$\frac{\text{Adjusted EBITDA} - [(\text{Adjusted EBITDA} - \text{depreciation and operating provision expense}) \times \text{tax rate}]}{\text{Capital employed}}$$

For example, the data used at December 31, 2003 were as follows :

Adjusted EBITDA	: €1,070m	(see ROCE below)
Depreciation and operating provision expense	: €-436m	
Normative tax rate	: 29.1%	
Capital employed	: €11,599m	(see ROCE below)

(4) EVA is determined as follows :

$$(\text{ROCE after tax} - \text{WACC}) \times \text{Capital employed}$$

The impact of a 0.1 increase or decrease in the Beta would have been €28 million in 2001, €28 million in 2002 and €28 million in 2003.

RETURN ON CAPITAL EMPLOYED (ROCE)

Return on Capital Employed (ROCE) is a key management indicator used internally to measure the performance of the Group's various businesses.

It is also an indicator of the profitability of assets that are either non-consolidated or accounted for by the equity method.

It is calculated on the basis of aggregated amounts derived from the consolidated financial statements:

- Adjusted EBITDA: for each business, total of EBITDA, plus financial revenues (dividends and interest income) generated by unconsolidated assets, plus share in the net income of companies accounted for by the equity method ;
- Capital Employed: for each business, total value of fixed assets, based on average cost of total of gross assets, plus working capital.

ROCE corresponds to the ratio between EBITDA and average capital employed for the period. In December 2003, ROCE stood at 9.2% versus 10.7% the previous year.

Excluding hotels under construction (representing capital employed that does not currently generate any EBITDA), ROCE would have been 11.0% in December 2002 versus 9.4% in December 2003.

In € millions	2001	2002	2003
Capital employed at year-end	12 020	11 601	11 250
Adjustments related to business acquisitions and disposals (1)	(355)	203	283
Effect of exchange rate changes on capital employed (2)	24	42	66
Capital employed	11 689	11 846	11 599
EBITDA	1 273	1 210	1 039
Interest income on external loans and dividends	47	40	37
Income from companies accounted for by the equity method	20	14	(6)
Other adjustments	-	-	-
Adjusted EBITDA	1 340	1 264	1 070
ROCE (Adjusted EBITDA / Capital employed)	11,5%	10,7%	9,2%

(1) For the purpose of calculating ROCE, capital employed in businesses acquired or disposed of during the year is prorated over the period of ownership. For example, the capital employed in a business acquired on December 31 that did not generate EBITDA during the year would not be included in the calculation.

(2) Capital employed is translated at the average exchange rate for the year, corresponding to the rate used to translate EBITDA.

Return on capital employed ((1)/(2) ratio) over a 12-month rolling period broken down as follows:

Activities	2001	2002	2003
HOTELS	11.3%	10.2%	8.7%
Up and Mid Scale *	10.5%	9.2%	6.8%
Economy Hotels **	15.3%	14.8%	15.1%
Economy Hotels United States	10.0%	8.8%	7.2%
SERVICES	25.8%	26.7%	24.2%
Other businesses			
Travel Agencies	3.0%	9.0%	6.9%
Casinos	16.6%	14.5%	15.5%
Restaurants	11.9%	11.0%	11.0%
Onboard Train Services	7.5%	8.9%	9.5%
Other	1.4%	2.5%	2.6%
Total Group	11.5%	10.7%	9.2%

(*) 9.9% and 7.1% excluding hotels under construction in 2002 and 2003 respectively

(**) 15.5% and 15.8% excluding hotels under development in 2002 and 2003 respectively

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Accor Group have been prepared in accordance with French generally accepted accounting principles, including the Group adopted standard CRC 99-02.

As of January 1, 2002, the Group adopted standard CRC 2000-06 concerning liabilities. This change in method had no impact on either opening shareholders' equity or net income for the period.

1. In view of the international scope of its businesses, where alternative accounting treatments are allowed under French rules, the Group has selected the accounting treatment that most closely reflects international accounting practices (capitalization of finance leases, full recognition in the balance sheet of employee benefit obligations included in unrealized exchange gains and losses).

The financial statements of consolidated companies, prepared in accordance with local accounting principles, have been restated to conform to Group principles prior to consolidation.

A. Consolidation methods

The companies over which the Group exercises exclusive control, directly or indirectly, are fully consolidated.

Companies controlled and operated jointly by Accor and a limited number of partners are proportionally consolidated.

Companies over which the Group exercises significant influence are accounted for by the equity method. Significant influence is considered as being exercised when the Group owns between 20% and 50% of the voting rights, directly or indirectly.

B. Goodwill

In the year following the acquisition of a consolidated company, fair value adjustments are made to the identifiable assets and liabilities acquired. In subsequent years, these fair value adjustments follow the same accounting treatment as the items to which they relate.

Goodwill, representing the difference between the cost of shares in consolidated companies and the Group's equity in the underlying net assets at the date of acquisition, after the fair value adjustments, is amortized over the estimated period of benefit, not to exceed 40 years. The amortization period is determined based on the nature of the acquired business and prevailing market conditions, as well as the operating assumptions applied and projections made at the time of acquisition.

The amortization periods applied are as follows :

- | | |
|--------------------------|----------|
| • Hotels | 40 years |
| • Onboard train services | 40 years |
| • Services | 40 years |
| • Travel agencies | 20 years |
| • Restaurants | 20 years |
| • Casinos | 20 years |

In the case of an unfavourable change in these factors, the amortization period may be shortened or the unamortized goodwill may be written down.

C. Foreign currency translation

The balance sheets of foreign subsidiaries are translated into euros at the closing period exchange rate, and their income statements are translated at the average rate of the year. The resulting differences are recorded as a separate component of shareholders' equity under "Cumulative translation adjustment".

In the case of subsidiaries operating in hyper-inflationary economies, non-monetary balance sheet items are translated at the historical exchange rate, while monetary items are translated at the closing period exchange rate. Income statement items related to non-monetary balance sheet items are also translated at the historical rate.

Other income statement items are translated at the average rate of the month in which the translation was recorded. Differences resulting from the application of this method are recorded in the income statement under "Net interest expense".

D. Fixed assets

D.1. Intangible fixed assets

Intangible fixed assets are stated at cost.

Start-up costs and organization expenses are amortized over a maximum period of five years.

Lease rights are usually amortized over the life of the lease.

As from January 1st, 2002 business rights, networks and brand names are included in goodwill and amortized by the straight-line method over maximum periods described in the above note B.

Intangible assets recognized in connection with business combinations are valued on the basis of estimates obtained from independent experts. These estimates are produced using relevant criteria for the business concerned, which are also applied in subsequent years to determine whether the related assets concerned have suffered any impairment.

- Identified brands are valued by applying a range of criteria, taking into account the level of brand recognition and the profits generated by the business conducted under the brand concerned.
- Market shares of services and onboard train services businesses representing investments made to strengthen the Group's market position are valued based on projections of future revenues and earnings.
- Brands and market shares are not amortized. They are assessed at regular intervals and whenever an event occurs which appears to indicate that their value may not be recoverable. If their fair value, as determined using the criteria applied at the time of acquisition, is lower than their net book value and the impairment in value is of a permanent nature, a provision is booked for the difference.

D.2. Property, plant and equipment

Property, plant and equipment are stated at cost, including capitalized interest. They are depreciated on a straight-line basis over the following useful lives:

- | | |
|---|----------------|
| • Formule 1 / Etap / Motel 6 / Red Roof / Studio 6 hotels | 40 years |
| • Other hotels | 60 years |
| • Onboard train services rolling stock | 20 years |
| • Other buildings | 10 to 30 years |
| • Fixtures and fittings, furniture | 5 to 10 years |

D.3. Finance leases, sale and lease-back transactions

In accordance with the recommended French accounting method dealing with leases, assets acquired under finance leases are capitalized. The Group qualifies as finance leases any leases that transfer substantially all of the risks and rewards of ownership to the lessee. The related assets are capitalized and depreciated over their estimated useful lives, and an obligation in the same amount is recorded under liabilities.

The gain on assets sold under sale and lease-back agreements with all the characteristics of a finance lease is deferred and recognized in the income statement over the life of the lease, except in the case of a permanent impairment in value of the asset.

All other leases are treated as operating leases. Payments under these leases are recorded directly in the income statement. Future payments under operating leases are presented in note 5 below. Gains on assets sold under sale and lease-back agreements with all the characteristics of an operating lease, where the sale price and rent are based on market values determined most frequently by an independent expert, are recognized directly in income.

D.4 Other capital assets.

Long-term financial portfolio investments and investments in non-consolidated companies are recorded at cost.

D.5. Long-lived assets

Long-lived assets are stated at cost. Assets whose value is impaired are written down to fair value, or market value in the case of assets that are intended to be sold.

- Fair value of intangible assets and goodwill

At each year-end, the Group determines whether there are any indicators of an impairment in value of intangible assets. These indicators may include a fall in EBIT or a loss of market share. Where there is an indication that the value of an intangible asset may be impaired, if the asset is not intended to be sold, its fair value is assessed using the discounted cash flow method, including a final value determined by reference to the long-term rate of growth in revenues generated by the asset. The valuation is generally based on a maximum of five years' projected cash flows and a pre-tax discount rate.

Allowances for impairment in value are charged to the income statement under "Gains and losses on management of other assets" and/or "Amortization of goodwill" (See note 1.P.6).

- Fair value of property, plant and equipment

At each year-end, the Group determines whether there are any indicators of an impairment in value of property, plant and equipment. These indicators may include a fall in EBITDAR or a decline in prices on the real estate market. Where there is an indication that the value of an asset may be impaired, its fair value is assessed based on a multiple of EBITDA and on the discounted cash flow method, including a final value determined by reference to the long-term rate of growth in revenues generated by the asset. As in the case of intangible assets, the valuation is generally based on a maximum of five years' projected cash flows and a pre-tax discount rate.

The amount of the impairment is determined by comparing the net book value of the asset with the higher of the values obtained by applying the two recommended methods described above. Allowances for impairment in value are charged to the income statement under "Gains and losses on management of the hotel portfolio" (See note 1.P.5).

- Fair value of investments in non-consolidated companies

The fair value of investments in non-consolidated companies is based on the Group's equity in the underlying revalued net assets, the earnings outlook of the company concerned and other indicators. The fair value of long-term financial portfolio investments reflects the general outlook for the company concerned and therefore does not systematically correspond to market value in the case of listed shares.

E. Inventories

Inventories are stated at the lower of weighted average cost and probable realizable value. Moreover, they include assets held for resale.

F. Service voucher reserve funds

As a result of legal restrictions on the use of Ticket Restaurant operating funds in France, these funds are held in special escrow accounts.

G. Marketable securities

Market securities are stated at the lower of cost and market.

H. Deferred charges

Deferred charges include :

- Costs incurred prior to the opening of new hotels and restaurants, which are written off over three years in the case of hotels and over one year in the case of restaurants;
- Costs related to the acquisition of fixed assets, which are written off over a maximum of five years;
- Bond issuance costs, which are written off over the life of the issue;
- Costs related to the development of data processing systems, which are written off over the useful life of the systems.

Deferred charges are included in "other receivables and accruals"

I. Prepaid expenses

Prepaid expenses correspond to expenses paid during a given period but related to the following periods. They also include the rental expenses which are charged to the income statement on a straight-line basis over the life of the lease (see note 5).

Prepaid expenses are included in "other receivables and accruals".

J. Payroll costs

Payroll costs include all sums paid by the Company to its salaried employees, including employee profit-sharing.

K. Provisions

The Accor Group applies the standards 00-01 of April, 20, 2000 of the National Council of Accountancy, concerning the accounting liabilities adopted by the recommended method contained in the standard 00-06 of December 7, 2000 issued by the Comité de la Réglementation Comptable. Provisions are booked when at the end of the period an obligation exists towards a third party and which will produce a probable or certain outflow in his favour, without counterpart at least equivalent expected by him. These bonds can be legal, regulated or contractual. They are evaluated according to their nature by taking into account the most probable assumption or by using the statistical methods.

Effective from January 1, 2000, full provision is made for these commitments, in accordance with the recommended method contained in standard CRC 99-02 issued by the Comité de la Réglementation Comptable.

Obligations under defined benefit plans are calculated in accordance with IAS 19. The amount of the obligation is estimated by the projected unit credit method, based on actuarial assumptions concerning future salary levels, retirement age, mortality and staff turnover rates and discount rates. The assumptions applied take into account macro-economic conditions in the countries where the Group operates and other specific circumstances.

The projected benefit obligation was determined by taking into account the fair value of plan assets. Unamortized actuarial gains and losses at that date were not charged to opening shareholders' equity.

Actuarial gains and losses arising from changes in actuarial assumptions are recorded directly in provisions for contingencies and charges.

L. Foreign currency conversion

Transactions carried out by Group companies in currencies other than their local currency are converted at the exchange rate ruling on the transaction date.

Foreign currency receivables and payables other than those for which the exchange rate has been fixed by means of a hedging contract are converted into euros at the closing period exchange rate and the resulting unrealised exchange gain or loss is recorded in the income statement under "Net interest expense".

M. Deferred taxes

Deferred taxes are recognized by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. Under the liability method, deferred taxes recognized in prior years are adjusted at the year-end based on the latest known tax rate. The effects of the change in tax rate are stated in the Profit and Loss account of the periods that are concerned by the tax rate variation.

Deferred tax assets on ordinary and evergreen tax loss carry forwards are recognized only if they are almost certain of being recovered in the foreseeable future. Deferred tax liabilities are included in "Provisions for contingencies and charges".

N.1 Stock options

Certain subsidiaries, mainly in the United States and in France, have set up employee stock option plans. As these subsidiaries are not listed, the Group is committed to buying back the shares issued on exercise of the options, at a price based on their fair values (generally corresponding to a multiple of EBITDA less net debt).

At each year-end, the Group estimates the impact of the exercise of stock options on its equity in the net assets of the subsidiary concerned. The potential dilutive effect is provided for. The provision is charged to the income statement under "Gains and losses on disposals of other assets".

Stock options granted by the parent company do not affect consolidated net income. When the stock options are exercised, the Group records the shares issued as a capital increase according to the payments received from the employees concerned.

N.2 Self-detained Accor shares

Accor SA shares held by the parent company and/or Group companies are recorded as marketable securities, when the shares were specifically acquired for allocation to employees or to stabilize the share price. In all other case, they are deducted from consolidated shareholders' equity.

Accor SA shares held as marketable securities are recorded at the lower of cost and market. Provisions for impairment and any gain or loss on the sale of these shares are posted to the income statement.

In all other cases, the gain or loss on the sale of treasury stock and the related tax effect is directly recorded in consolidated shareholders' equity, without impacting net income for the year. These shares are not written down.

O. Financial instruments

Gains and losses on financial instruments acquired as hedges are accounted for on a symmetrical basis with the loss or gain on the hedged asset or liability.

P. Income statement and statement of cash flows

The consolidated income statement and statement of cash flows are presented on the same basis as the management reporting schedules used to manage the business.

P.1 Revenues

Revenues correspond to the value of products and services sold in the normal course of business by fully and proportionally consolidated companies. These revenues include:

- Hotels : properties or hotels operate under lease contract, all revenues received from clients (including accommodation, catering and other services), hotels which are either managed or franchised, a received remuneration (management and franchise fees)
- Services: fees received from client companies and participating restaurants, royalties for the use of trademarks and technical assistance fees.
- Travel agencies: ticket sale, car rental and hotel booking commissions, service fees and margins on vacation package sales without risk.
- Onboard train services: sleeping compartment and food services billed to railway operators and subsidies received.
- Casinos: gross receipts from gaming activities (slot machines and traditional casino games).

P.2 Other operating revenues

Other operating revenues include interest income on service voucher reserve funds.

These revenues plus the revenues defined above together represent the headline consolidated revenue figure used in Group communications.

P.3 EBITDAR

Earnings before interest, tax, depreciation, amortization and rental expense (EBITDAR) correspond to revenues less operating expenses. EBITDAR is used as a key management ratio.

P.4 Profit before tax

Profit before tax corresponds to earnings after net interest expense and income from companies accounted for by the equity method. It therefore represents an indicator of Group performance after taking into account financing costs.

P.5 Gains and losses on disposals of hotel properties

This item includes not only gains and losses on disposals of hotel properties, but also movements in provisions for impairment in value on properties that are not intended to be sold. The disposals represent routine hotel portfolio management transactions, and are not directly related to the management of continuing operations.

P.6 Gains and losses on disposals of other assets

This item corresponds to gain and losses on disposals of fixed assets other than hotels and movements in provisions for impairment in the value of these assets, as well as other non-operating gains and losses.

The transactions concerned are not directly related to the management of continuing operations.

P.7 Exceptional items (net of taxes and of minority interests)

Exceptional items correspond to income and expense that are exceptional in terms of their amount and frequency and which do not relate to the Group's continuing operations. They primarily concern significant changes in the portfolio.

P.8 Consolidated statement of cash flows

The consolidated statement of cash flows is presented on the same basis as the management reporting schedules used internally to manage the business. It shows cash flows from operating and investing activities on the one hand and cash flows from financing activities on the other.

Cash flows from operating and investing activities include :

- Funds from operations after changes in deferred taxes and capital gains or losses on disposals of assets.
- Renovation and maintenance expenditure to maintain existing operating assets in a good state of repair.
- Development expenditures, including the fixed assets of newly-consolidated subsidiaries and additions to fixed assets of existing subsidiaries.
- Proceeds from the disposal of assets.
- The net change in working capital.

Q. Earnings per share

The accounting rules and methods used to calculate basic and diluted earnings per share comply with IAS 33 recommendation 27 of the Ordre des Experts Comptables Français.

NOTE 2. CHANGES IN THE SCOPE OF CONSOLIDATION

A. Disposals

A.1 Disposals and lease-back of hotel buildings

In 2002, the Group disposed of:

- 2 Up and Mid Scale hotels in Eastern Europe (in Budapest and Warsaw), for total proceeds of €47 million.
 - 21 Economy properties (Ibis, Etap and Formule 1) in France, Poland and the Netherlands, for total proceeds of €146 million.
 - 7 Up and Mid Scale hotels (6 Novotel and 1 Mercure) for total proceeds of €75 million.
 - 2 Suite Hotel Properties in France for total proceeds of €23 million.
2. During the first semester of 2003, the Group disposed of €265 million worth of buildings, followed by lease contract :
- 4 Up and Mid Scale hotels in France, for total proceeds of €46 million.
 - 2 Up and Mid Scale hotels in the United Kingdom of €51 million.
 - 5 in Hungary for total proceeds of € 88 millions.
 - 15 Economy property in France, United Kingdom and Spain for total proceeds of €73 millions.

A.2 Disposals of hotels

Accor also sold the buildings and business rights of hotels for a total amount of €94 million in 2001, €121 million in 2002 and €101 million in 2003.

In 2002, the disposals were related to :

- 2 Up and Mid Scale hotels in London for total proceeds of €83 million.
- 1 Economy property in Montreal for total proceeds of €5 million.

During the first semester of 2003, the €101 million disposals were related to :

- 1 Up and Mid Scale property in Portugal, for total proceeds of €4 million.
- 11 Up and Mid Scale and Economy properties in Poland, for total proceeds of €64 million.
- 4 Economy properties in France, for total proceeds of €3 million.
- 3 Up and Mid Scale hotels in France, for total proceeds of €8 million.
- 1 Economy property in the United States, for total proceeds of €3 million.
- 1 Up and Mid Scale hotels in Brazil, for total proceeds of €2 million.

A.3 Accor-Colony Capital Partnership in Accor Casinos

In 2001, Accor and the American investment fund Colony Capital signed an agreement aimed at creating Europe's leading group of casinos. As a consequence of this partnership, Colony Capital acquired 50% of Accor Casinos, (6% in 2001 and 44% in 2002). Accor continues to manage the company.

The deal was based on an enterprise value of €450 million and generated an after-tax consolidated capital gain of €68 million (see Note 13).

Accor has granted a €80 million loan to Colony Capital (see Note 17).

In January 2004, The Barrière Desseigne family, Accor and Colony Capital have signed an agreement based on the combination of the casino and hotel assets of Société Hôtelière de la Chaîne Lucien Barrière (SHCLB), Société des Hôtels et Casino de Deauville (SHCD), Accor Casinos, and their respective subsidiaries.

The Barrière Desseigne family currently owns 100% of SHCLB and 54% of SHCD. Accor owns 35% of SHCD and 50% of Accor Casinos, with Colony Capital owning the remaining 50% of Accor Casinos.

Following this agreement, Accor will hold 34% of The Barrière Desseigne Group and will consolidate this entity using the proportionnal method. The new shareholding structure will be accompanied by a shareholders' agreement setting forth the Group's governance, in particular with respect to certain of the Group's major decisions. Under the shareholders' agreement, Colony Capital will have an option to sell its shareholding to Accor, with Accor holding a similar option to buy Colony Capital's shareholding.

Pro-forma for the transaction, gross revenues for the Group were approximately €900 million for FY2003. The Group will operate 37 casinos, with close to 5,000 slot machines in locations that include Deauville, Enghien, La Baule, Montreux, Bordeaux, Biarritz and Nice. Additionally, the Group will operate 13 luxury hotels and a substantial restaurant business, including Fouquet's on the Champs-Élysées in Paris.

The agreement is subject to certain conditions precedent, in particular approval by the antitrust authorities and the casino supervisory authorities. Regarding this, the agreement had no impact on consolidated accounts as of December 31, 2003.

B. Investment program

B.1 Acquisition of 20% of Orbis in August 2000, 5% in 2001, 2.17% in 2002 and 8.41% in 2003

In August 2000, as part of the Polish State's privatisation program, Accor acquired a 20% interest in the capital of the Polish hotel and tourism group Orbis, for a total investment of €81 million.

Orbis, which also operates travel agencies and casinos, is Poland's leading hotel operator, with 55 properties (10,439 rooms) located in the country's 25 largest cities. The hotels have been renovated and were re-opened under Accor trade names since 2001.

In 2001, an additional 5% stake in Orbis was acquired for €12 million, raising the Group's interest to 25%.

In 2002, an additional 2.17% stake in Orbis was acquired for €4.7 million from minority shareholders, raising the Group's interest to 27.17%.

In 2003, an additional 8.41% stake in Orbis was acquired for €20 million from minority shareholders, raising the Group's interest to 35.58%.

In October 2003, Accor sold directly owned hotels in Poland for €64 million to the hotel group Orbis (8 Ibis et 3 Novotel).

B.2 Acquisition of 70% of Go Voyages

Accor acquired an initial 38.5% of Go Voyages in 2000 for a total price of €11.9 million.

In 2002, another 21.5% of the company was acquired for €12.3 million, raising the Group's interest to 60%.

In 2003, Accor increased its participation in Go Voyages by 10%, for an amount of €7.2 million, raising Group's interest to 70%.

Following implementation of innovative IT tools, Go Voyages is one of the most active and most efficient players in the travel and tourism market, especially on the Internet.

B.3 Acquisition of 40.19% of the capital of Dorint AG

During the second half of 2002, agreements were signed with German hotel management group Dorint AG and its major shareholder, Dr. Herbert Ebertz.

In September 2002, Accor SA acquired a 16.79% interest in Dorint AG. In addition, another 13.21% of the company's capital was placed in an escrow account. This breakdown corresponds to the accounting treatment of the transaction in the parent company accounts.

In the consolidated accounts, which were published after the European Union competition authorities had approved the transaction, the shares held in escrow were considered as investment securities and accounted for as "other investments". At December 31, 2002, investments in non-consolidated companies amounted to €49.7 million.

Accor did not exercise any significant influence over Dorint in 2002, and consequently did not account for the company by the equity method in the 2002 financial statements.

Accor accounted for the company by the equity method since February 1, 2003, date of definitive agreement between Accor and Dorint.

Accor may also purchase an additional 25% of the company at any time between 2008 and 2010 by exercising a call option granted by Dr. Ebertz. This purchase option is based on a multiple of EBITDA of which is subtracted consolidated net debt, with a minimum fixed purchase price of €45 million. Lastly, Accor granted Dr. Herbert Ebertz a €35 million loan and gave Dorint AG a €25 million bank guarantee, pari passu with Dr. Herbert Ebertz. Today, Dorint AG owns 88 hotels totalling 15,400 rooms.

In addition, the Management Board and Supervisory Board of Dorint AG have approved the creation of a strategic partnership with Accor, based on franchise and marketing agreements. All Dorint hotels will be co-branded as Dorint-Sofitel, Dorint-Novotel and Dorint-Mercure properties. The Dorint sales and marketing teams have been integrated into the Accor network since February 1, 2003.

As mentioned above, since February 1, 2003, Accor accounted the Dorint Group for by the equity method to the extent of its portion of capital held on the period, namely 30%.

At the end of the first semester 2003, within the context of a capital increase subscribed by Accor and Dr. Herbert Ebertz, Accor acquired a further 10.19% for total proceeds of €13.2 million, raising Group's interest to 40.19%, a rate at which Accor accounted the Dorint Group for by the equity method during the second semester 2003.

The portion of income of the eleven months of activity of Dorint amounted to €-5.3 million.

At the beginning of the year 2004, Accor has announced its support for the long-term plan proposed by the Dorint Management Board and approved by the Supervisory Board. The plan is designed to position the German hotel company to make the most of the coming economic recovery in Germany.

The plan, which extends measures undertaken in 2003 to reduce rental expense and operating costs, is based on the following measures:

- A €30 million new share issue;
- An additional issue of new shares and/or dividend rights certificates in a maximum amount of €25 million;
- The implementation of a management contract of Dorint hotels by Accor Germany, in order to improve their sales and operating performance as part of the co-branding strategy now being deployed with the Sofitel, Novotel and Mercure brands.

The plan will be submitted to Dorint shareholders for approval at an Extraordinary Shareholders' Meeting. The company's two largest shareholders, Accor and the Ebertz family, have announced their support to the plan, with Accor taking up its full stake in the share, 40.19% of the total, and/or dividend rights certificate issue.

B.4 Other investments (external and organic growth)

Taking into account external and organic growth, since January 1st, 2003, the Group opened or acquired 170 hotels (22,015 rooms) and closed 105 hotels (9,419 rooms).

B.4.a Hotel portfolio by brand and type of management at December 31, 2003

At December 31, 2003, the hotel portfolio broken down by brand and type of management as follows:

In number of hotels	Ownership	Rental	Management	Franchise	Total
Sofitel	28	44	79	28	179
Novotel	67	154	92	75	388
Mercure	54	202	198	272	726
Ibis	120	265	57	209	651
Etap Hotel	77	95	8	107	287
Formule 1	220	135	1	15	371
Red Roof	97	154	-	98	349
Motel 6 / Studio 6	232	491	1	156	880
Others	7	13	39	4	63
Total	902	1 553	475	964	3 894
<i>Total in %</i>	23,2%	39,9%	12,2%	24,8%	100,0%

At December 31, 2003, the number of rooms broken down by brand and type of management as follows:

In number of rooms	Ownership	Rental	Management	Franchise	Total
Sofitel	4 537	9 852	16 283	5 637	36 309
Novotel	9 873	23 679	19 874	13 842	67 268
Mercure	5 427	28 108	24 640	28 064	86 239
Ibis	13 242	33 071	8 110	15 527	69 950
Etap Hotel	5 657	8 361	699	8 059	22 776
Formule 1	16 289	10 555	103	1 004	27 951
Red Roof	11 871	17 637	-	8 701	38 209
Motel 6 / Studio 6	25 645	55 817	59	10 947	92 468
Others	1 363	1 862	8 291	717	12 233
Total	93 904	188 942	78 059	92 498	453 403
<i>Total in %</i>	<i>20,7%</i>	<i>41,7%</i>	<i>17,2%</i>	<i>20,4%</i>	<i>100,0%</i>

B.4.b Hotel portfolio by region and type of management at December 31, 2003

At December 31, 2003, breakdown of the hotel portfolio by region and type of management :

In number of hotels	Ownership	Rental	Management	Franchise	Total
France	385	367	88	454	1 294
Europe excluding France	125	440	49	225	839
North America	334	652	6	254	1 246
Latin America & Caribbean	25	22	94	15	156
Other Countries	33	72	238	16	359
Total	902	1 553	475	964	3 894
<i>Total in %</i>	<i>23,2%</i>	<i>39,9%</i>	<i>12,2%</i>	<i>24,8%</i>	<i>100,0%</i>

At December 31, 2003, number of rooms broken down by region and type of management as follows:

In number of rooms	Ownership	Rental	Management	Franchise	Total
France	31 721	43 720	8 436	33 722	117 599
Europe excluding France	14 782	56 375	7 576	34 622	113 355
North America	39 233	75 786	1 387	19 648	136 054
Latin America & Caribbean	4 132	3 748	12 733	1 799	22 412
Other Countries	4 036	9 313	47 927	2 707	63 983
Total	93 904	188 942	78 059	92 498	453 403
<i>Total in %</i>	<i>20,7%</i>	<i>41,7%</i>	<i>17,2%</i>	<i>20,4%</i>	<i>100,0%</i>

B.4.c Hotel portfolio by region and brand at December 31, 2003

At December 31, 2003, the hotel portfolio broken down by region and brand as follows:

In number of hotels	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	38	48	11	19	63	179
Novotel	120	160	6	21	81	388
Mercure	287	264	-	82	93	726
Ibis	338	244	-	31	38	651
Etap Hotel	211	75	-	-	1	287
Formule 1	285	44	-	2	40	371
Red Roof	-	-	349	-	-	349
Motel 6 / Studio 6	-	-	880	-	-	880
Others	15	4	-	1	43	63
Total	1 294	839	1 246	156	359	3 894
<i>Total en %</i>	<i>33,2%</i>	<i>21,6%</i>	<i>32,0%</i>	<i>4,0%</i>	<i>9,2%</i>	<i>100,0%</i>

At December 31, 2003, the number of rooms broken down by region and brand as follows:

In number of rooms	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	6 730	9 106	3 542	2 791	14 140	36 309
Novotel	15 300	28 675	1 835	3 513	17 945	67 268
Mercure	26 627	35 768	-	10 340	13 504	86 239
Ibis	29 778	29 666	-	4 684	5 822	69 950
Etap Hotel	16 176	6 481	-	-	119	22 776
Formule 1	21 108	3 180	-	699	2 964	27 951
Red Roof	-	-	38 209	-	-	38 209
Motel 6 / Studio 6	-	-	92 468	-	-	92 468
Others	1 880	479	-	385	9 489	12 233
Total	117 599	113 355	136 054	22 412	63 983	453 403
<i>Total en %</i>	<i>26,0%</i>	<i>25,0%</i>	<i>30,0%</i>	<i>4,9%</i>	<i>14,1%</i>	<i>100,0%</i>

B.4.d Hotel portfolio expected development at December 31, 2003

In number of rooms, the expected organic growth for the coming periods is :

In number of rooms	Ownership	Rental	Management	Franchise	Total
2004	3 657	4 602	5 094	5 034	18 387
2005	2 321	8 139	2 064	1 707	14 231
2006	741	3 392	430	76	4 639
2007	637	259	-	-	896
Total	7 356	16 392	7 588	6 817	38 153

NOTE 3. BREAKDOWN OF CONSOLIDATED REVENUES BY REGION AND BY BUSINESS

Operating revenues of units of which the revenues (corresponding to royalties) are not generated in a single region are included under Worldwide Structures.

In € million	France	Europe (excluding France)	North America	Latin America & Caribbean	Other Countries	Worldwide structures	2003	2002 (*)	2001
HOTELS	1 632	1 504	1 162	110	352	90	4 850	5 014	5 052
Up and mid scale	1 037	999	173	95	301	90	2 695	2 660	2 704
Economy Hotels	595	505	-	15	51	-	1 166	1 140	1 022
Economy Hotels United States	-	-	989	-	-	-	989	1 214	1 326
SERVICES	92	180	11	172	14	2	471	482	498
Other businesses									
Travel Agencies	67	165	103	22	14	11	382	453	499
Casinos	195	-	-	-	17	-	212	253	302
Restaurants	80	235	-	89	16	-	420	432	472
Onboard Train Services	157	117	-	-	-	3	277	284	277
Holding and other	129	69	-	11	-	7	216	221	190
Total December 31, 2003	2 352	2 270	1 276	404	413	113	6 828		
Total December 31, 2002 (*)	2 405	2 238	1 550	457	383	106		7 139	
Total December 31, 2001	2 420	2 155	1 714	537	337	127			7 290

(*) Pro forma, 2002 revenues have been restated to be comparable with the revenues published in 2003. Reclassifications concern reallocation between geographical areas and reallocation between businesses.

Consolidated revenues totalled €6,828 million on December 31, 2003 versus €7,139 million on December 31, 2002 representing a decline of €311 million (-4,3%).

The reported year-on-year decrease broken down as follows:

✓ Like-for-like	+0.1%	+10 M€
✓ Business expansion	+3.4%	+244 M€
✓ Currency effect	-5.4%	-395 M€
✓ Disposals	-2.4%	-170 M€
Evolution in revenues in 2003	-4.3%	-311 M€

Breakdown of consolidated revenues by business:

In € millions	Reported	Like-for-like In €	%
HOTELS	(164)	(34)	-0,7%
Up and mid scale	35	(15)	-0,6%
Economy Hotels	26	10	+0,9%
Economy Hotels United States	(225)	(29)	-2,4%
SERVICES	(11)	40	+8,4%
Other Businesses	(136)	4	
Travel Agencies	(71)	(31)	-6,8%
Casinos	(41)	2	+0,8%
Restaurants	(12)	32	+7,4%
Onboard Train Services	(7)	(4)	-1,4%
Holding and Others	(5)	5	+2,3%
Total Group	(311)	10	+0,1%

Breakdown of consolidated revenues by region:

In € millions	Reported	Like-for-like	
		In €	%
France	(53)	(12)	-0,5%
Europe (excluding France)	32	(5)	-0,2%
North America	(274)	(43)	-2,8%
Latin America	(53)	52	+11,3%
Other Countries	30	5	+1,4%
Worldwide Structures	7	13	+11,9%
Total Group	(311)	10	+0,1%

Besides, within the scope of reallocations operated during 2003 second semester, turnovers related to June 2002 and 2003 are as follows :

In € million	France	Europe (excluding France)	North America	Latin America & Caribbean	Other Countries	Worldwide structures	June 2003 (*)	June 2003 Reported	June 2002 (*)	June 2002 Reported
HOTELS	798	723	570	56	157	41	2 345	2 354	2 468	2 478
Up and mid scale	508	482	83	49	133	41	1 296	1 324	1 296	1 327
Economy Hotels	290	241	-	7	24	-	562	542	550	529
Economy Hotels United States	-	-	487	-	-	-	487	487	622	622
SERVICES	46	90	6	82	7	1	232	231	254	247
Other businesses										
Travel Agencies	31	85	55	10	7	5	193	193	237	238
Casinos	92	-	-	-	10	-	102	94	156	148
Restaurants	40	119	-	41	7	-	207	205	237	233
Onboard Train Services	77	56	-	-	-	1	134	134	138	138
Holding and other	55	31	-	5	-	2	93	96	95	103
June 2003 (*)	1 139	1 104	631	194	188	50	3 306			
June 2003 Reported	1 139	1 104	632	194	187	51		3 306		
June 2002 (*)	1 187	1 098	793	273	183	51			3 585	
June 2002 Reported	1 187	1 097	793	274	183	51				3 585

(*) Pro forma, 2002 revenues have been restated to be comparable with the revenues published in 2003. Reclassifications concern reallocation between geographical areas and reallocation between businesses.

NOTE 4. BREAKDOWN OF EBITDAR BY REGION AND BUSINESS

In € millions	France	Europe (excluding France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	2003	2002 (*)	2001
HOTELS	456	460	386	11	86	40	1 439	1 581	1 631
Up and mid scale	286	274	26	7	64	4	661	694	727
Economy Hotels	170	186	-	4	22	36	418	423	387
Economy Hotels United States	-	-	360	-	-	-	360	464	517
SERVICES	31	95	2	72	1	(12)	189	203	206
Other businesses									
Travel Agencies	6	20	13	(1)	1	7	46	59	36
Casinos	32	-	-	-	6	-	38	46	58
Restaurants	6	23	-	4	1	-	34	32	31
Onboard Train Services	8	8	-	-	-	1	17	14	13
Holding and Other	(5)	8	-	(3)	-	6	6	1	(4)
Total 2003	534	614	401	83	95	42	1 769		
Total 2002 (*)	563	642	511	96	90	34		1 936	
Total 2001	591	612	572	114	68	14			1 971

(*) Pro forma, 2002 EBITDAR have been restated to be comparable with the EBITDAR published in 2003. Reclassifications concern reallocation between geographical areas or reallocation between businesses.

(1) EBITDAR of units of which the revenues (corresponding to royalties) are not generated in a single region is included under Worldwide Structures.

On December 31, 2003, EBITDAR amounted €1,769 million, compared with €1,936 million on December 31, 2002. The year-on-year decline of €167 million or 8.6% broken down as follows:

• Like-for-like	-58
• Business expansion	+43
• Currency effect	-131
• Disposals	-21
Evolution in EBITDAR in 2003	-167

Breakdown of EBITDAR by business:

In € millions	Reported	Like-for-like
HOTELS	(142)	(81)
Up and mid scale	(33)	(40)
Economy Hotels	(5)	(9)
Economy Hotels United States	(104)	(32)
SERVICES	(14)	14
Other Businesses	(11)	9
Travel Agencies	(13)	-
Casinos	(8)	(2)
Restaurants	2	4
Onboard Train Services	3	3
Holding and Others	5	4
Total Group	(167)	(58)

Breakdown of EBITDAR by region:

In € millions	Reported	Like-for-like
France	(29)	(23)
Europe (excluding France)	(28)	(13)
North America	(110)	(27)
Latin America	(13)	8
Other Countries	5	4
Worldwide Structures	8	(7)
Total Group	(167)	(58)

Besides, within the scope of reallocations operated during 2003 second semester, proforma EBITDARs related to June 2002 and 2003 are as follows :

In € millions	France	Europe (excluding France)	North America	Latin America	Other Countries	Worldwide structures	June 2003 (*)	June 2003 Reported	June 2002 (*)	June 2002 Reported
HOTELS	214	215	180	6	35	10	660	659	745	745
Up and mid scale	132	128	11	4	25	(1)	299	305	332	330
Economy Hotels	82	87	-	2	10	11	192	185	182	184
Economy Hotels United States	-	-	169	-	-	-	169	169	231	231
SERVICES	13	47	-	32	-	(4)	88	88	106	106
Other businesses										
Travel Agencies	1	11	9	(1)	1	4	25	25	33	33
Casinos	13	-	-	-	1	-	14	14	24	24
Restaurants	3	10	-	1	-	-	14	14	15	15
Onboard Train Services	3	2	-	-	-	-	5	6	4	4
Holding and other	(5)	15	-	(1)	-	2	11	11	6	6
June 2003 (*)	242	300	189	37	37	12	817			
June 2003 Reported	242	303	189	37	37	9		817		
June 2002 (*)	258	316	256	57	41	5			933	
June 2002 Reported	258	318	256	57	41	3				933

(*) Pro forma, 2002 EBITDAR have been restated to be comparable with the EBITDAR published in 2003. Reclassifications concern reallocation between geographical areas or reallocation between businesses.

NOTE 5. RENTAL EXPENSE

Rental expense amounted to €730 million on December 31, 2003 versus €726 million on December 31, 2002.

In accordance with international accounting standards (see Note 1.D.3), rental expenses correspond exclusively to operating leases. Finance leases are capitalized and the obligation corresponding to future lease payments is recorded under liabilities in the amount of €207 million (see Note 27).

Rental expenses are charged to the income statement on a straight-line basis over the life of the lease, even if payments are not made on that basis. The annual charge is indexed to an appropriate benchmark, such as the French INSEE new construction index, in order to recognize a constant expense stream on an economic basis. Most leases have been signed for periods exceeding the traditional nine-year term of commercial leases in France, primarily to protect Accor against the absence of commercial property rights in certain countries.

None of these leases include any clauses requiring advance payment of rentals in the event of a downgrading of Accor's credit rating or for other reasons, or any cross-default clauses or covenants.

The amount of €730 million corresponds to 1,553 hotel leases, including 70% with a purchase option and 30% without a purchase option. Usually, the purchase options are fixed in the lease contracts proportionally to the initial value of the owner investment. Generally, these options can be exercised after 10 or 12 years of the lease contract. In addition, some contracts allow the acquisition of goods, based on an expert evaluation, at the end of the contract.

Undiscounted rental expenses were as follows:

In € millions	2001	2002	2003
Up and mid scale hotels	(333)	(357)	(373)
Economy Hotels	(114)	(131)	(157)
Economy Hotels United States	(195)	(189)	(162)
Other	(56)	(49)	(38)
Total	(698)	(726)	(730)

Future minimum undiscounted rentals payable as from January 2004 break down as follows by maturity :

Years	In € millions
2004	(703)
2005	(704)
2006	(710)
2007	(706)
2008	(704)
2009	(696)
2010	(689)
2011	(684)
2012	(680)
2013	(678)
2014	(660)

Years	In € millions
2015	(643)
2016	(629)
2017	(616)
2018	(603)
2019	(478)
2020	(402)
2021	(339)
2022	(286)
2023	(242)
> 2023	(1 047)
Total	(12 899)

NOTE 6. DETAIL OF DEPRECIATION AMORTIZATION AND PROVISIONS

In € millions	2001	2002	2003
Depreciation and amortization	(435)	(449)	(433)
Provisions	(8)	(6)	(3)
Total	(443)	(455)	(436)

NOTE 7. BREAKDOWN OF EBIT BY BUSINESS AND BY REGION

In € millions	France	Europe (excl France)	North America	Latin America	Other Countries	Worldwide Structures (1)	2003	2002 (*)	2001
HOTELS	183	80	77	(4)	18	21	375	512	618
Up and mid scale	106	28	(22)	(5)	9	(11)	105	152	223
Economy Hotels	77	52	-	1	9	32	171	198	189
Economy Hotels United States	-	-	99	-	-	-	99	162	206
SERVICES	26	87	1	66	(2)	(13)	165	177	176
Other businesses									
Travel Agencies	3	8	3	(1)	-	3	16	20	(5)
Casinos	22	-	-	-	6	-	28	33	45
Restaurants	1	16	-	3	-	-	20	16	17
Onboard Train Services	-	7	-	-	-	-	7	7	7
Holding companies and other	(2)	-	-	(4)	-	(2)	(8)	(10)	(28)
Total 2003	233	198	81	60	22	9	603		
Total 2002 (*)	262	256	139	66	18	14		755	
Total 2001	282	269	192	81	7	(1)			830

(*) Pro forma, 2002 EBIT have been restated to be comparable with the EBIT published in 2003. Reclassifications concern reallocation between geographical areas or reallocation between businesses.

(1) EBIT of units of which the costs and income (corresponding to royalties) are not generated in a single region is included under Worldwide Structures.

On December 31, 2003, consolidated EBIT amounted to €603 million, compared with €755 million on December 31, 2002. The decline of €152 million or 20.1% broken down as follows:

• Like-for-like	-76
• Business expansion	-16
• Currency effect	-51
• Disposals	-9
Evolution in EBIT in 2003	-152

Breakdown of EBIT by business :

In € millions	Reported	Like-for-like
HOTELS	(137)	(94)
Up and mid scale	(47)	(33)
Economy Hotels	(27)	(18)
Economy Hotels United States	(63)	(43)
SERVICES	(12)	15
Other Businesses	(3)	3
Travel Agencies	(4)	1
Casinos	(5)	(2)
Restaurants	4	5
Onboard Train Services	-	(1)
Holding and Others	2	-
Total Group	(152)	(76)

Breakdown of EBIT by region:

In € million	Reported	Like-for-like
France	(29)	(17)
Europe (excluding France)	(58)	(27)
North America	(58)	(32)
Latin America	(6)	16
Other Countries	4	2
Worldwide Structures	(5)	(18)
Total Group	(152)	(76)

Besides, within the scope of reallocations operated during 2003 second semester, proforma EBITs related to June 2002 and 2003 are as follows :

In € millions	France	Europe (excluding France)	North America	Latin America	Other Countries	Worldwide structures	June 2003 (*)	June 2003 Reported	June 2002 (*)	June 2002 Reported
HOTELS	77	26	22	(1)	1	2	127	128	213	213
Up and mid scale	41	7	(14)	(2)	(2)	(10)	20	23	59	62
Economy Hotels	36	19	-	1	3	12	71	69	81	78
Economy Hotels United States	-	-	36	-	-	-	36	36	73	73
SERVICES	11	43	-	28	(1)	(6)	75	75	90	90
Other businesses										
Travel Agencies	(1)	5	1	(1)	-	4	8	8	11	11
Casinos	8	-	-	-	1	-	9	9	17	17
Restaurants	1	7	-	-	-	-	8	8	8	8
Onboard Train Services	(1)	2	-	-	-	-	1	1	1	1
Holding and other	(5)	1	-	(3)	-	2	(5)	(6)	(15)	(15)
June 2003 (*)	90	84	23	23	1	2	223			
June 2003 Reported	90	87	23	23	1	(1)		223		
June 2002 (*)	106	117	63	40	4	(5)			325	
June 2002 Reported	106	119	63	40	4	(7)				325

(*) Pro forma, 2002 EBIT have been restated to be comparable with the EBIT published in 2003. Reclassifications concern reallocation between geographical areas or reallocation between businesses.

NOTE 8. NET INTEREST EXPENSE

In € millions	2001	2002	2003
Interest income (expense)	(134)	(106)	(71)
Other financial income and expense	42	40	(3)
Net interest expense	(92)	(66)	(74)

Other financial income and expense breaks down as follows :

In € millions	2001	2002	2003
- Dividends from non-consolidated companies and on marketable securities	15	9	6
- Exchange gains and losses (*)	28	44	6
- Other movements in financial provisions (**)	(1)	(13)	(15)
Total other financial income and expense	42	40	(3)

(*) In 2002, the exchange gain was mainly due to capital transactions in the United States (€28 million). The other gains originated from Latin America. In 2003, the exchange gain was mainly due to Latin America.

(**) The 2003 figure takes into account a €(13) million provision for redemption premium on the OCEANE bond issued in April 2002.

NOTE 9. INCOME FROM COMPANIES ACCOUNTED FOR BY THE EQUITY PROPERTIES

This item broken down as follows:

In € millions	2001	2002	2003
Orbis (Poland) (see note 2.B.1)	6	5	4
ABC Hotels (hotels Demeure / Libertel)	-	(2)	(4)
Société Hôtelière des Casinos de Deauville (see note 2.A.3)	7	8	7
Investments funds Tunisia & Morocco (STI & RISMA)	(2)	(4)	(5)
Dorint (Germany) (see note 2.B.3)	-	-	(5)
Asia / Australia Hotels	4	9	1
Other	5	(2)	(4)
Pre-tax income from companies accounted for by the equity method	20	14	(6)

NOTE 10. GAINS AND LOSSES ON DISPOSALS OF HOTEL PORTFOLIO

In € millions	2001	2002	2003
Gains and losses on disposals of hotel properties	34	84	102
Movement in provisions for impairment in value (note 1.D.5)	(5)	(30)	(34)
Total	29	54	68

As of December 31, 2002, total includes:

- ✓ Net gains on disposals of hotel buildings, mainly in Eastern Europe (€28 million), France (€29 million) and the Netherlands (€29 million).
- ✓ €30 million in charges to provisions for impairment in value of hotels mainly in the United States, the French West Indies and Jordan.

As of December 31, 2003, total includes:

- ✓ Gains on disposals of hotel buildings, primarily in Hungary for €42 million (5 units), France for €34,1 million (12 units), the United Kingdom for €10 million (4 units) and Poland for €8 million (11 units) : see Note 2.B.1;
- ✓ €30 million in charges to provisions for impairment in value of assets, held for sale or otherwise, mainly in the United States, Denmark, Portugal, the Dominican Republic and Israel.

NOTE 11. GAINS AND LOSSES ON DISPOSALS OF OTHER ASSETS

In € millions	2001	2002	2003
Gains and losses on disposals of other assets	74	(3)	59
Provisions	28	12	(13)
Other non-operating gains and losses	(36)	(39)	(63)
Total	66	(30)	(17)

As of December 31, 2002, the gains on disposals of other assets mainly consisted in a gain on the disposal of three tour operators in Europe (€12 million), along with a €-18 million provision on Granada shares.

Net provision movements of €12 million include €29 million in reversals of provisions for litigation and other contingencies, offset by the recognition, at December 31, 2002, of non-operating losses in the same amount, and net additions to provisions for litigation and other contingencies of €-17 million.

Non-operating losses of €-39 million principally include the €-29 million European tour operators referred to above and a €-6 million loss arising from the discontinuation of "Cesta Ticket" in Brazil.

As of December 31, 2003, gains on disposals of other assets mainly consisted in a €51 million capital gain on the sale of Accor shares, along with a €7 million gain of the disposal of Granada shares.

Non-operating losses primarily comprise €35 million in restructuring costs in Hotel and Tour Operator divisions and €20 million in costs related to several disputes solved during the period.

NOTE 12. INCOME TAX

Note 12.1 - Income tax expense for the year (excluding exceptional items)

In € millions	2001	2002	2003
Current taxes	(161)	(196)	(147)
Deferred taxes	(77)	(30)	(8)
Tax on income from companies accounted for by the equity method	(8)	(8)	(8)
Total	(246)	(234)	(163)

Profit before tax, including net gains on management of hotel portfolio	787	757	591
Income tax	(246)	(234)	(163)
Effective rate of tax on profit, including net gains on management of hotel portfolio	31.3%	31.0%	27.6%

Note 12.2 - Effective tax rate

In € millions	2001	2002	2003
Profit before tax	758	703	523
Net gains on management of hotel portfolio	29	54	68
Net gains on management of other assets	66	(30)	(17)
Amortization of goodwill	(102)	(109)	(107)
Pre-tax income	751	618	467
Amortization of goodwill	102	109	104
Elimination of intercompany profits	(3)	13	(13)
Non-deductible asset impairment charges	-	5	13
Other	(43)	11	(13)
Total permanent differences (non-deductible expenses)	56	138	91
Untaxed income and income taxed at reduced rate	(226)	(138)	(101)
Income taxable at the standard rate	581	618	457
Standard tax rate in France	36.42%	35.43%	35.43%
Theoretical tax charge at standard French tax rate	(211)	(219)	(162)
Effect on theoretical tax charge of:			
. differences in foreign tax rates	8	8	7
. unutilized tax losses for the year	(42)	(42)	(36)
. utilization of tax loss carryforwards	18	5	6
. previously unrecognized deferred tax assets on temporary differences	-	-	(1)
. other	(17)	(1)	5
Total	(33)	(30)	(19)
Income tax at standard rate	(244)	(249)	(181)
Income tax at reduced rate	(2)	15	18
Income tax recorded in the consolidated income statement	(246)	(234)	(163)
Profit before tax, including net gains on management of hotel portfolio	787	757	591
Income tax	(246)	(234)	(163)
Effective rate of tax on profit before tax, including net gains on disposal of hotel properties	31,3%	31,0%	27,6%

Note 12.3-RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

In € millions	2001	2002	2003
Deferred tax assets	87	60	45
Deferred tax liabilities	(237)	(264)	(284)
Net deferred taxes (1)	(150)	(204)	(239)

(1) Net deferred taxes break down as follows:

In € millions	2001	2002	2003
Deferred taxes on temporary differences in tax system and corporate financial statements	(127)	(101)	(149)
Deferred taxes on differences in consolidation and corporate financial statements	(102)	(184)	(211)
Deferred taxes on taxable losses carried forwards	79	81	121
Net deferred taxes	(150)	(204)	(239)

Note 12.4-UNRECOGNIZED DEFERRED TAX ASSETS

Unrecognised deferred tax assets amounted to €125 million at December 31, 2002 and €150 million at December 31, 2003.

NOTE 13. EXCEPTIONAL ITEMS (NET OF TAXES AND MINORITY INTERESTS)

In € millions	2001	2002	2003
Exceptional items	-	68	-

In 2002, exceptional items include a €68 million gain on the sale of 44% of Accor Casinos to Colony Capital (see note 2.A.3).

NOTE 14. GOODWILL

In € millions	2001	2002	2003
Goodwill (gross)	2 386	2 241	2 353
Total amortizations and provisions	(507)	(562)	(634)
Total net goodwill	1 879	1 679	1 719

In € millions	2001	2002	2003
Motel 6 (40 years)	341	285	228
Up and Mid Scale Hotels France (40 years)	195	209	218
Hotels, Australia / Pacific (40 years)	181	181	195
Travel Agencies (20 years)	212	198	183
Red Roof Inns (40 years)	237	194	157
Casinos (Accor Casinos and subsidiaries) (20 years)	194	108	101
Economy Hotels (excluding Motel 6 and RRI) (40 years)	119	109	97
Hotels, Germany (Dorint) (8 years)	-	-	82
Hotels, Asia (20 years)	73	78	56
Hotels, Poland (40 years)	17	37	41
Hotels, Italy (Sifalberghi) (40 years)	8	8	33
Hotels, Hungary (Pannonia) (40 years)	31	31	32
Mexico Luncheon Vouchers (Dicasa) (40 years)	10	12	31
Société des Hôtels and Casinos de Deauville (40 years)	28	27	26
Go Voyages (20 years)	9	20	26
Hotels, Egypt (Gezirah) (28 years)	-	-	19
Sweden Luncheon Vouchers (Riskuponger) (40 years)	-	14	14
Romania Luncheon Vouchers (40 years)	-	2	13
Hotels, Netherlands (40 years)	13	13	12
Argentina Luncheon Vouchers (Servicios Ticket) (40 years)	12	9	11
Lenôtre (20 years)	15	15	11
Venezuela Luncheon Vouchers (Seremca) (40 years)	-	2	7
French Railway Catering (7 years)	11	9	7
Other (under €6 million)	173	118	119
Total net goodwill	1 879	1 679	1 719

The change in net goodwill broken down as follows :

In € millions	2001	2002	2003
Total net goodwill at beginning of period	1 911	1 879	1 679
Increase in gross value and impact of changes in scope of consolidation	88	126	222
. Hotels, Germany (Dorint) (see Note 2.B.3)	-	-	90
. Services, Mexico (Dicasa)	-	-	26
. Hotels Italy (Sifalberghi)	-	-	26
. Hotels, Egypt (Gezirah)	-	-	19
. French Up and Mid Scale Hotels, France	-	12	18
. Accor Services	19	9	17
. Luncheon Vouchers Romania	-	-	12
. Go Voyages (see Note 2.B.2)	9	11	6
. Hotels, Poland (Orbis) (see Note 2.B.1)	9	25	(6)
. Hotels, Asia	6	12	-
. Other	45	57	14
Disposals during the period	(36)	(28)	(7)
. Accor Casinos (see Note 2.A.3)	(3)	(23)	-
. Other	(33)	(5)	(7)
Amortization	(102)	(109)	(107)
Translation adjustments	21	(116)	(79)
Line-by-line restatement and other changes	(3)	(73)	11
Total net goodwill at end of period	1 879	1 679	1 719

NOTE 15. INTANGIBLE FIXED ASSETS

In € millions		2001	2002	2003
Motel 6 brand	(1)	228	191	159
Red Roof Inns brand	(1)	136	114	95
Start-up costs		15	17	14
Other networks and brands		11	12	12
Onboard train services market share		75	75	75
Other intangible fixed assets		250	259	235
Total (cost)		715	668	590
Amortization and provisions	(2)	(182)	(189)	(206)
Total (net)		533	479	384

(1) Increases in the valuation of the Motel 6 and Red Roof Inns brands are primarily due to changes in the exchange rate of the US dollar against the euro at the balance sheet date (December 31, 2002 : 1,0487 – December 31, 2003 : 1,2630).

(2) When intangible assets are intended to be sold, an impairment provision is recorded if their estimated market value is lower than the net book value.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

In € millions	Gross		
	2001	2002	2003
Land	680	550	503
Buildings	3 280	3 157	3 057
Fittings	1 102	1 217	1 278
Equipment and furniture	1 708	1 674	1 610
Construction in progress	625	332	203
Property, plant and equipment (Gross)	7 395	6 930	6 651

In € millions	Depreciation and provisions		
	2001	2002	2003
Land			
Buildings	(866)	(856)	(848)
Fittings	(569)	(606)	(678)
Equipment and furniture	(926)	(942)	(986)
Construction in progress	(8)	(5)	(6)
Property, plant and equipment (Provision)	(2 369)	(2 409)	(2 518)

In € millions	Net		
	2001	2002	2003
Land	680	550	503
Buildings	2 414	2 301	2 209
Fittings	533	611	600
Equipment and furniture	782	732	624
Construction in progress	617	327	197
Property, plant and equipment (Net)	5 026	4 521	4 133

Changes in net fixed assets over the three-year period can be analysed as follows:

In € millions	2001	2002	2003
Total at January 1	4 696	5 026	4 521
Changes in scope of consolidation	25	4	35
Disposals	(322)	(403)	(271)
Additions	942	746	580
Depreciation	(399)	(398)	(392)
Translation adjustments	108	(433)	(341)
Reclassifications	(24)	(21)	1
Total at December 31	5 026	4 521	4 133

At December 31, 2003 property, plant and equipment held under finance leases totaled a net €480 million, versus €489 million at December 31, 2002 and broken down as follows :

In € millions	2001	2002	2003
Land and buildings	650	605	615
Fittings, equipment and furniture	81	70	60
Gross cost	731	675	675
Total depreciation and provisions	(191)	(186)	(195)
Net value	540	489	480

NOTE 17. LONG-TERM LOANS

In € millions	2001	2002	2003
Long-term loans (gross)	360	445	474
Provisions	(26)	(16)	(24)
Total net long-terms loans	334	429	450

In € millions	2001	2002	2003
Colony Capital (Note 2.A.3) (1)	-	80	86
Hotels Asia / Pacific (2)	85	60	74
ABC Group (Demeure / Libertel hotels) (3)	55	58	64
Hotels UK	31	41	27
Hotels Germany (Note 2.B.3) (4)	-	30	35
Hotels US / Canada	36	29	26
Hotels The Netherlands	28	28	28
Front de Seine Participations (Novotel Tour Eiffel)	21	22	23
Financière Courtepaille	19	20	21
Orbis (Note 2.B.1) (5)	-	-	14
Others	59	61	52
Total	334	429	450

(1) In connection with the sale of 50% of Accor Casinos, Accor granted a €80 million loan to Colony Capital. Interests on this loan are capitalized and will be paid at redemption date (see Note 2.A.3).

(2) During the period, Accor granted €60 million in loans to Tahl.

(3) In December 1999 Accor and two American investment funds jointly acquired the hotel business of CGIS, a subsidiary of Vivendi. The acquired hotel portfolio comprises 41 Libertel hotels and 8 Sofitel Demeure hotels, representing a total of 3,240 rooms.
The acquisition vehicle (ABC Hotels), 30% owned by the Accor Group, simultaneously signed management contracts with Accor. In addition, Accor granted a €64 million loan to ABC Hotels.

(4) In connection with the acquisition of the 40.19% stake in Dorint AG, the Group made a €35 million loan to Mr. Ebertz. This loan is repayable no later than December 31, 2010. See description in note 2.B.3.

(5) In connection with the sale of 3 Novotel hotels and 8 Ibis hotels, for a total of €64 million, the Group made a €14 million loan to the buyer. The loan is repayable in 2008 at the latest.

NOTE 18. INVESTMENTS IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

In € millions		2001	2002	2003
Orbis (Hotels Poland) (see note 2.B.1.)	(1)	98	79	80
Société Hôtelière des Casinos de Deauville	(2)	34	38	39
Accor Asia Pacific subsidiaries		34	36	31
Hotels Morocco (RISMA)	(3)	21	19	18
Sofitel Paris Le Faubourg		9	9	10
Hotels Tunisia (STI)	(5)	8	6	7
Société Hôtelière Paris Les Halles (SHPH)	(6)	6	5	5
Sofitel St James London (Hotels UK)		6	5	3
ABC Hotels (Hotels Demeure/ Libertel)	(4)	14	10	1
Novotel Paris Tour Eiffel	(7)	-	4	1
Dorint (Germany) (see Note 2.B.3)	(8)	-	-	(29)
Other companies		36	37	36
Total		266	249	202

(1) Key figures for the Orbis Group are as follows :

Orbis (Hotels Poland) (In € millions)	2001	2002	2003
Revenues	187	157	129
Net income	14	13	9
Net cash / (Net debt)	9	40	0
Shareholders' equity	286	292	225
Portion of capital held	25,00%	27,17%	35,58%

(2) Key figures for Société des Hôtels et Casinos de Deauville are as follows :

Société Hôtelière des Casinos de Deauville (In € millions)	2001	2002	2003
Revenues	183	199	203
Net income	22	14	6
Net cash / (Net debt)	(56)	(36)	(42)
Shareholders' equity	98	108	113
Portion of capital held	34,90%	34,90%	34,90%

(3) Key figures for Risma are as follows :

Risma (Investment funds Morocco) (In € millions)	2001	2002	2003
Revenues	35	40	43
Net income	(3)	(5)	(6)
Net cash / (Net debt)	(14)	(37)	(44)
Shareholders' equity	49	47	40
Portion of capital held	47,53%	45,29%	45,29%

(4) ABC owns jointly the Demeure hotels (Sofitel) and Libertel with Accor, Blackstone and Colony. The key figures are as follows:

Hôtel ABC (hôtel Demeure/Libertel) (In € millions)	2001	2002	2003
Revenues	132	122	81
Net income	(4)	(10)	8
Net cash / (Net debt)	(413)	(368)	(321)
Shareholders' equity	46	34	4
Portion of capital held	30,00%	30,00%	30,00%

(5) Key figures for Tanit are as follows :

Investment funds Tunisia (In € millions)	2001	2002	2003
Revenues	7	19	17
Net income	(5)	(5)	(6)
Net cash / (Net debt)	(0)	(1)	(5)
Shareholders' equity	16	16	18
Portion of capital held	31,19%	35,00%	37,50%

(6) Key figures for Société Hôtelière Paris les Halles are as follows :

SHPH (In € millions)	2001	2002	2003
Revenues	42	46	51
Net income	5	2	1
Net cash / (Net debt)	(27)	(102)	(98)
Shareholders' equity	19	17	15
Portion of capital held	31,19%	31,19%	31,19%

(7) Key figures for Front de Seine Participations, holding Novotel Tour Eiffel, are as follows :

Novotel Tour Eiffel (in € millions)	2001	2002	2003
Revenues	26	33	26
Net income	(2)	(3)	(8)
Net cash / (Net debt)	(111)	(113)	(115)
Shareholders' equity	14	10	2
Portion of capital held	40,00%	40,00%	40,00%

(8) Main Dorint AG financial indicators during the consolidation period are as follows :

DORINT (In € millions)	2001	2002	2003
Revenues	-	-	451
Net income (*)	-	-	(15)
Net cash / (Net debt)	-	-	(42)
Shareholders' equity (*)	-	-	(72)
Portion of capital held			40,19%

(*) After adjustments related to the first-time consolidation of Dorint in the Accor Group accounts.(see Note 2.B.3)

NOTE 19. OTHER INVESTMENTS

In € millions	2001	2002	2003
Investments in non-consolidated companies	191	412	311
Deposits	128	112	109
Total gross value	319	524	420
Provisions for impairment in value	(37)	(37)	(34)
Net value	282	487	386

Main investments in non-consolidated companies are as follow :

In € millions	2001	2002	2003
Compass Group (1)	-	204	204
Hotels Germany (2)	-	50	-
El Gezira Hotel (Cairo) (3)	-	42	-
Other investments in non-consolidated companies and deposits	282	191	182
Net value	282	487	386

- (1) In March 1999, the Group issued bonds exchangeable for Compass / Granada shares. The bond issue reflected the Group's intention to sell the Compass shares which were reclassified under "marketable securities" in 1999. The bonds were redeemed in March 2002.

After reviewing the intended holding period of the 30,706,882 Compass shares, the Group reclassified the Compass shares under "other investments" for an amount of €204 million, corresponding to their cost at March 30, 2002. At December 31, 2003, the market value of the Compass shares was €166 million. In light of the decision to hold the shares over the long term, they were maintained in the balance sheet at fair value to the Group.

- (2) See note 2.B.3. Dorint Group is consolidated for by the equity method since February 1st, 2003.
- (3) Accor acquired in November 2002, 65 % of the company which currently operates the Cairo Sheraton with the intention of turning it into a Sofitel. This company is fully consolidated since January 1st, 2003.

NOTE 20. BREAKDOWN OF FIXED ASSETS

20.1. Fixed assets by business (at cost)

Fixed assets at December 31, 2003 include €2,945 million in hotel properties, compared with €3,110 million at December 31, 2002.

In € millions	Up and mid scale	HOTELS Economy	Economy US	Services	Travel Agencies	Casinos	Restaurants	Onboard Train Services	Holding Co and Other	2003	2002	2001
Goodwill	676	173	518	154	289	139	56	18	330	2 353	2 241	2 386
Intangible assets	49	58	277	59	41	2	5	31	68	590	668	731
Tangible assets	2 848	1 609	1 552	88	78	133	108	83	152	6 651	6 930	7 395
Sub-total	3 573	1 840	2 347	301	408	274	169	132	550	9 594	9 839	10 512
Long-term loans	263	4	1	2	-	-	4	-	200	474	445	360
Investment in associated	142	17	-	-	3	-	(2)	-	42	202	248	267
Other financial assets	88	11	54	3	7	-	1	1	255	420	524	319
Total Dec 31, 2003	4 066	1 872	2 402	306	418	274	172	133	1 047	10 690		
Total Dec 31, 2002	4 202	1 837	2 854	232	433	225	160	206	907		11 056	
Total Dec 31, 2001	4 049	1 905	3 339	245	462	424	169	130	735			11 458

20.2. Fixed assets by region (at cost)

In € millions	France	Europe (excl. France)	North America	Latin America	Other Countries	Worldwide Structures	2003	2002	2001
Goodwill	500	580	546	119	287	321	2 353	2 241	2 386
Intangible assets	56	70	303	23	5	133	590	668	731
Tangible assets	2 173	1 777	1 919	223	363	196	6 651	6 930	7 395
Sub-total	2 729	2 427	2 768	365	655	650	9 594	9 839	10 512
Long-term loans	101	89	1	10	78	195	474	445	360
Investment in associated	70	69	-	1	62	-	202	248	267
Other financial assets	21	28	76	2	30	263	420	524	319
Total Dec 31, 2003	2 921	2 613	2 845	378	825	1 108	10 690		
Total Dec 31, 2002	2 760	2 235	3 294	335	860	1 572		11 056	
Total Dec 31, 2001	2 859	2 149	3 817	355	485	1 793			11 458

NOTE 21. OTHER RECEIVABLES AND PAYABLES

In € millions	2001	2002	2003
Gross other receivables (1)	1 016	1 041	1 058
Provisions	(90)	(84)	(112)
Net other receivables	926	957	946
Other payables (2)	1 064	1 101	1 009

(1) Other receivables at December 31, 2003 include:

In € millions	2001	2002	2003
VAT receivables	162	202	215
Other tax receivables	39	28	16
Prepaid payroll taxes	10	8	9
Prepaid expenses	245	285	311
Deferred charges	160	165	189
Other receivables	313	293	273
Deferred tax assets	87	60	45
Gross other receivables	1 016	1 041	1 058

(2) Other payables at December 31, 2003 include:

In € millions	2001	2002	2003
Accrued payroll costs	374	356	387
Accrued taxes	150	187	107
VAT payable	50	79	99
Accrued revenues	122	125	115
Other payables	368	354	301
Other payables	1 064	1 101	1 009

NOTE 22. FULLY DILUTED SHARE CAPITAL

As of December 31, 2003, a total of 199,259,550 common shares were issued and outstanding. The average number of common shares outstanding in 2003 was 197,730,236.

In addition, a total of 9,115,023 employee stock options, exercisable for shares representing 4.57% of the total capital, were outstanding as of December 31, 2003:

- 85,000 stock options exercisable from January 7th, 1999 until January 7th, 2005 at € 15.46 per share;
- 1,352,950 stock options exercisable from January 7th, 2003 until January 7th, 2006 at € 32.47 per share;
- 757,322 stock options (Stock Saving Warrants) exercisable from December 22nd, 2003 until December 22nd, 2007 at €43.40 per share;
- 580,525 stock options exercisable from January 6th, 2004 until January 6th, 2007 at € 33.95 per share;
- 690,125 stock options exercisable from March 30th, 2005 until March 30th, 2008 at € 37.00 per share;
- 1,957,000 stock options exercisable from January 4th, 2004 until January 4th, 2009 at € 40.58 per share;
- 3,438,840 stock options exercisable from January 8th, 2005 until January 8th, 2010 at € 37.77 per share;
- 104,361 stock options (Stock Saving Warrants) exercisable from July 12th, 2005 until July 2009 at €39.10 per share;
- 148,900 stock options exercisable from January 3rd, 2006 until January 3rd, 2011 at € 31.80 per share;

Accor issued 18,719,772 convertible bonds (OCEANES), which could lead to the issuance of 25,550,620 shares (see Note 26 for more details).

On this basis, the average fully diluted number of shares (in thousands) outstanding on December 31, 2003 was 210,871.

Fully diluted earnings per share are calculated as follows :

In € millions	2001	2002	2003
Net income, Group share (in € million)	474	430	270
Restatement convertible bonds (OCEANE) (1)	-	9	15
Restated net income before minority interests	474	439	285
Fully diluted number of shares (in thousands)	197 042	197 573	197 730
Number of shares resulting from the exercise of stock options	762	375	-
Number of shares resulting from the conversion of OCEANE	-	7 018	13 141
Fully diluted average number of shares (in thousands)	197 803	204 966	210 871
Net diluted earnings per share (in €)	2,39	2,14	1,35

(1) Restatements of net income are as follows :

In € millions	2003
Reversal of the interest charges relative to convertible bonds (OCEANE)	6
Reversal of redemption premiums on convertible bonds (OCEANE)	9
Total	15

NOTE 23. MINORITY INTERESTS

In € millions	
December 31, 2001	140
Minority interests in net income for the period	22
Dividends paid to minority interests	(27)
Translation adjustments	(22)
Other movements	(22)
December 31, 2002	91
Minority interests in net income for the period	34
Dividends paid to minority interests	(30)
Translation adjustments	(4)
Other movements	5
December 31, 2003	96

Significant minority interests controlled by the Group mainly concern Brazilian activities :

In € millions	Brazil
Share in minority interests at December 31, 2003	27
Fixed assets	82
Gross financial debt	(35)
Cash & equivalents	43
Net debt	8
2003 paid dividends to Accor Group	(1)

NOTE 24. PROVISIONS FOR CONTINGENCIES AND CHARGES

In € millions	
December 31, 2001	537
Additions	86
Reversals	(90)
Translation adjustments	(12)
Changes in scope of consolidation	7
December 31, 2002	528
Additions	133
Reversals without use	(21)
Reversals with use	(74)
Translation adjustments	(3)
Changes in scope of consolidation	(12)
December 31, 2003	551

Evolution of provisions for contingencies and charges between December 2002 and December 2003 break down as follows :

In € millions	December 31, 2002	Additions	Reversals with use	Reversals without use	Translation adjustments	Changes of Scope and reclassifications	December 31, 2003
- Deferred tax provisions	263	21	-	-	-	-	284
- Retirement provisions	58	30	(13)	-	-	(2)	73
- Tax provisions	19	8	(1)	(4)	(1)	8	29
- Provisions for restructuring	22	20	(16)	-	-	(12)	14
- Litigation provisions and other	166	54	(44)	(17)	(2)	(6)	151
TOTAL	528	133	(74)	(21)	(3)	(12)	551

At December 31, 2003, the main provisions for litigation provisions and other were as follows:

- €21 million provision for bond redemption premiums (see note 26)
- €9 million provision for on-board train services contract termination costs
- €8 million provision for currency risks in Latin America

The net impact of the provisions on the income (addition minus reversal with or without use) breaks down as follows:

In € millions	2002	2003
EBIT	(1)	(4)
Net interest expense	9	18
Gains and losses on disposal of hotel properties	6	(3)
Gains and losses on disposal of other assets	(13)	9
Income Tax	(5)	17
TOTAL	(4)	37

NOTE 25. REPACKAGED PERPETUAL SUBORDINATED FLOATING RATE NOTES (TSDI)

On December 1990, Accor issued €762 million in Repackaged Perpetual Subordinated Floating Rate Notes (Titres Subordonnés à Durée Indéterminée).

Concurrently, Accor paid a special purpose vehicle an amount of €170 million in exchange for:

- A commitment to repurchase the Repackaged Perpetual Subordinated Floating Rate Notes from the various lenders at the end of 15 years (matched by a commitment by the lenders to sell the notes).
- commitment not to claim payment of any principal or interest on the notes from Accor.

The net proceeds from the issue amounted to €592 million, which was recorded as a liability as of the issue date.

Since the notes are subordinated, Accor may temporarily suspend semi-annual payments of interest and principal in the event of exceptional financial difficulties. In this case, accrued interest would be capitalized.

The notes carry a market-based variable interest rate (PIBOR + margin) for a 15-year period. The swap taken out to lock in principal repayments while leaving the after-tax interest rate variable (based on market rates) was the subject of an investment reimbursed in February 2000.

The tax effect is prorated to interest expense over the life of the issue.

The French Tax Authorities confirmed their agreement with the accounting treatment of the issue in early 1993.

NOTE 26. EXCHANGEABLE BONDS

2002 OCEANE bonds convertible or exchangeable for new or existing Accor shares

On April 24, 2002, Accor issued 3,415,424 bonds convertible or exchangeable for new or existing shares (OCEANE) at a price of €166.89. The aggregate nominal value of the issue was €570 million and the interest rate is 1%. Interest is payable annually in arrears, on January 1.

The bonds are redeemable in three instalments as follows:

- On January 1, 2005 at a price of €58.86, representing 105.81% of one-third of the bonds' nominal value
- On January 1, 2006 at a price of €60.14, representing 108.11% of one-third of the bonds' nominal value
- On January 1, 2007 at a price of €61.47, representing 110.50% of one-third of the bonds' nominal value.

These redemption prices include one-third of the bond's nominal value plus a redemption premium representing an annual yield-to-maturity from the date of issue of 3.125%.

Bond holders may convert or exchange their bonds for shares as from May 3, 2002 as follows:

- Up to January 7, 2005, at the rate of 3 Accor shares per bond
- from January 8, 2005 to January 7, 2006, at the rate of 2 Accor shares per bond
- from January 8, 2006 to January 7, 2007, at the rate of 1 Accor share per bond.

2003 bonds convertible or exchangeable for new or existing Accor shares

On October 24, 2003, Accor raised €616 million through the issuance of 15,304,348 "Oceane" bonds at a price of €40.25. The interest rate on the bonds is 1.75%, payable annually in arrears on January 1. The bonds are convertible for new Accor shares or exchangeable for existing shares. Bonds that are not converted or exchanged will be redeemed for cash at par (€40.25 per bond) on January 1, 2008. They are convertible and/or exchangeable for shares, at the initiative of the bondholders, as from October 24, 2003 on the basis of 1 share per bond.

Accor has an early repayment option, exercisable as from February 1, 2005, if the Accor share price exceeds 110% of the issue price, i.e. €44.27, during 20 consecutive days.

NOTE 27. TOTAL LONG-TERM DEBT BY CURRENCY AND MATURITY

Note 27. A Gross long-term debt

At December 31, 2003, gross debt after hedging transaction broken down as follows :

In € millions	2001	Actual interest rate 2001 %	2002	Actual interest rate 2002 %	2003	Actual interest rate 2003 %
EURO	1 822	3,74	1 664	3,06	2 246	2,47
US Dollar	1 543	4,20	1 382	3,89	784	4,57
Australian Dollar	163	4,45	137	5,58	136	5,98
Other currencies (*)	123	-	109	-	119	-
Gross debt	3 651	4,15	3 292	3,80	3 285	3,29
Capital leases	253	-	185	-	207	-
Short-term debt and overdrafts	187	-	226	-	228	-
Total debt	4 091	-	3 703	-	3 720	-

*€35 million in BRL, €30 million in JPY, €14 million in GBP and €10 million in CAD at December 31, 2003.

Long-term debt	3 441	-	3 372	-	3 344	-
Short-term debt and overdrafts	650	-	331	-	376	-
Total debt	4 091	-	3 703	-	3 720	-

Note 27.B Maturity of the gross long-term debt:

Gross long-term debt broken down as follows:

In € millions	2001	2002	2003
Year Y + 1	650	331	376
Year Y + 2	375	141	517
Year Y + 3	295	828	1 668
Year Y + 4	1 341	1 870	241
Year Y + 5	1 297	380	777
Year Y + 6	25	31	28
Beyond	108	122	113
Total long-term debt	4 091	3 703	3 720

At December 31, 2003, Accor had several unused confirmed lines of credit with maturities of more than one year, for a total of €2,004 million, expiring between July 2005 and December 2008. As a result, €67 million short-term financing that the Group intends to roll over has been reclassified as long-term debt. After reclassifications, the long term unused confirmed credit lines total €1,937 million.

Note 27.C Gross debt before and after hedging transactions

Gross debt before hedging transactions broken down as follows:

In € millions	Fixed-Rate Debt			Variable-Rate Debt			Total debt		
	Amount	Rate	Fixed Debt	Amount	Rate	Variable Debt	Amount	Rate	% of total
EUR	2 808	3,61%	87%	433	3,08%	13%	3 241	3,54%	98%
USD	-	-	-	24	1,73%	100%	24	1,73%	1%
AUD	3	8,05%	32%	7	7,94%	68%	10	7,97%	-
Other currencies	9	5,95%	17%	41	15,28%	83%	50	13,66%	1%
Total gross debt	2 820	3,62%	85%	505	4,09%	15%	3 325	3,69%	100%

For hedging and cash management purposes, Accor has purchased €941 million worth of currency swaps. In addition, €2,175 million worth of rate hedges have been carried out.

The following table shows gross debt after these rate and currency swaps:

In € millions	Fixed-Rate Debt			Variable-Rate Debt			Total debt		
	Amount	Rate	Fixed Debt	Amount	Rate	Variable Debt	Amount	Rate	% of total
EUR	1 511	2,21%	67%	735	2,99%	33%	2 246	2,47%	68%
USD	356	7,53%	45%	428	2,11%	55%	784	4,57%	24%
AUD	3	8,05%	2%	133	5,93%	98%	136	5,98%	4%
Other currencies	9	5,95%	8%	110	7,29%	92%	119	7,20%	4%
Total gross debt	1 879	3,25%	57%	1 406	3,34%	43%	(*) 3 285	3,29%	100%

(*) The difference between gross debt before and after the swaps is mainly due to the exchange rate spread on the currency swaps.

Note 27.D Fixed / variable breakdowns of the debt (after hedging)

(excluding obligations under finance leases and other short term debt)

In € millions	Fixed-Rate Debt (1)			Variable-Rate Debt			Total Debt	
	Amount	Rate	Fixed Debt	Amount	Rate	Variable Debt	Amount	Rate
December 2001	1 723	4,51%	47%	1 928	3,82%	53%	3 651	4,15%
December 2002	1 327	3,88%	40%	1 965	3,74%	60%	3 292	3,80%
December 2003	1 879	3,25%	57%	1 406	3,34%	43%	3 285	3,29%

(1) Fixed-rate debt is debt for which the underlying interest rate was originally fixed for more than one year, as well as variable-rate debt that has been hedged at a fixed rate more than one year.

As of December 31, 2003, fixed-rate debt was denominated primarily in euros (80%) and US dollars (19%), while variable rate debt was denominated primarily in euros (52%), US dollars (30%) and Australian dollars (9%).

The acceleration clauses are based on the following ratios:

- Gearing ratio equal to or in excess of 120%;
- Interest cover (corresponding to the ratio of Ebitdar to interest expense plus 1/3 of annual rental expense) equal to or less than 3.8x.

These clauses relate exclusively to loans that are not used as of December 2003.

At December 31, 2003, these ratios do not applied to gross debt, disclosed in the 2003 accounts, in the amount of €3,285 million.

None of this debt carries acceleration clauses triggered by a charge in the company's credit rating. In addition Accor has not negotiated any financing contracts with cross default covenants. Debt with maturities of three years or more may carry cross acceleration clauses, but such clauses may be invoked only in the cross acceleration concerns debt of the same type and of a significant amount.

NOTE 28. NET INDEBTEDNESS

In € millions	2001	2002	2003
Repackaged perpetual subordinated notes	214	151	80
Convertible and exchangeable bonds	-	570	1 186
Other long-term debt	3 007	2 493	1 896
Obligations under finance leases	220	158	182
Short-term debt	537	234	278
Overdrafts	113	97	98
Debt	4 091	3 703	3 720
Short-term loans	(47)	(160)	(186)
Marketable securities (2)	(830)	(541)	(833)
Cash and cash equivalents	(264)	(179)	(221)
Short-term receivables on asset disposals	(101)	(20)	(18)
Net debt	2 849	2 802	2 462

Net debt at January 1	2 547	2 849	2 802
Change in long-term debt	(439)	166	233
Net change in short-term debt and cash and cash equivalents	686	(59)	(402)
Changes in scope of consolidation and translation adjustments (1)	54	(235)	(173)
Change in receivables on asset disposals	1	81	2
Net change for the year	302	(47)	(340)
Net debt at December 31	2 849	2 802	2 462

(1) Long-term debt.

(2) At December 31, 2003, marketable securities no longer include any Accor treasury shares or any Granada shares. The balance at that date consists mainly of €371 million in available cash invested for an average period of 2 months, corresponding to part of the proceeds from the €616 million Oceane bond issue.

The detail of marketable securities is as follows :

In € millions	2001	2002	2003
Shares of public traded companies	338	116	-
Bonds	180	160	225
Monetary investments	283	233	590
Others	29	32	18
Total Marketable securities	830	541	833

NOTE 29. BREAKDOWN OF FUNDS FROM OPERATIONS

In € millions	2001	2002	2003
Consolidated net income, Group share	474	430	270
Minority interests	31	22	34
Depreciation, amortization and provisions	545	564	543
Net income from companies accounted for by the equity method, net of dividends received	(6)	(2)	18
Deferred taxes	77	53	8
Change in provisions included in interest expense and provisions for impairment in value	(44)	28	72
CASH FLOW	1 077	1 095	945
Net gains on disposals of assets	(108)	(173)	(161)
Non-operating (gains)/losses	36	39	63
FUNDS FROM OPERATIONS	1 005	961	847

NOTE 30. RENOVATION AND MAINTENANCE EXPENDITURE

These investments include renovations and all expenses that maintain the useful life of existing assets on January 1. They exclude investments for development, fixed assets of newly consolidated subsidiaries, as well as the creation or construction of new assets.

Investments in existing assets broken down by business as follows:

In € millions	2001	2002	2003
HOTELS			
- Up and middle scale	168	114	99
- Economy Hotels	75	60	55
- Economy Hotels United States	77	68	61
SERVICES	20	22	23
Other Businesses			
Travel Agencies	19	10	12
Casinos	10	8	8
Restaurants	7	5	5
Onboard Train Services	7	8	6
Holding and others	22	21	15
Renovation and maintenance expenditure	405	316	284

NOTE 31. DEVELOPMENT EXPENDITURES AND INVESTMENTS IN TECHNOLOGY

Development expenditures and investments in technology include fixed assets of newly consolidated subsidiaries and the creation or construction of new assets.

Development expenditures and investments in technology broken down by region and business as follows:

In € millions	France	Europe (excluding France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures*	2003	2002	2001
HOTELS	56	324	17	9	53	4	463	693	743
- Up and middle scale	39	181	2	5	37	4	268	516	466
- Economy Hotels	17	143	-	4	16	-	180	145	277
- Economy Hotels United States	-	-	15	-	-	-	15	32	
SERVICES	6	15	-	42	2	3	68	18	23
Other Businesses									
Travel Agencies	7	10	-	1	-	-	18	1	8
Casinos	8	6	-	-	-	-	14	41	65
Restaurants	3	7	-	1	-	-	11	5	14
Onboard Train Services	-	-	-	-	-	-	-	-	1
Holdings and other	-	-	-	-	-	12	12	44	69
Total December 31, 2003	80	362	17	53	55	19	586		
Total December 31, 2002	146	364	109	62	100	21		802	
Total December 31, 2001	193	314	194	91	86	45			923

(*)Development expenditures and investments in technology that are not committed in a single region are included under Worldwide Structures.

NOTE 32. PAYROLL COSTS

Total payroll costs amounted to €2,543 million on December 31, 2003 compared with €2,583 million on December 31, 2002.

NOTE 33. DIRECTOR'S FEES

Fees paid by various Group companies to members of the Supervisory Board amounted to €585,929 of which, €276,000 were paid by Accor S.A.

NOTE 34. CLAIMS AND LITIGATION

- **Management contracts**

Reorganization of the Formule 1 and Etap Hôtel networks continued throughout 2003, as part of a process allowing shareholders of companies managing these hotels to choose between management and employment contracts. Managers of nearly one third of the hotels concerned opted to become employees during the year.

Several recent decisions by industrial tribunals (Conseils de Prud'hommes) and the Paris Court of Appeals confirmed the commercial nature of the management contract. As a result, the legal actions still underway are unlikely to have an adverse impact on the stability of the networks. The estimated financial impact of the related risks is reflected in the consolidated financial statements for the year.

- **CIWLT tax control**

During the year, a tax audit was carried out on the accounts of the permanent establishment in France of Compagnie Internationale des Wagons Lits et du Tourisme (CIWLT), a Belgian company that is 99.43%-owned by Accor SA. Following the audit, the French tax authorities concluded that CIWLT's seat of management is located in France and not in Belgium.

Accordingly, the French tax authorities added back CIWLT's profits in Belgium to the income taxable in France. CIWLT has contested all of the resulting reassessments, on the basis of the notice received from the Belgian tax authorities confirming that its seat of management is located in Belgium.

The estimated risk is reflected in the 2003 consolidated financial statements.

In the normal course of its business, the Group is exposed to various claims and lawsuits. The Company believes that these claims and lawsuits will not give rise to any material costs and will not have a material impact on its financial position, business and/or results of operations.

- **Other claims and litigation**

In the normal course of its business, the Group is exposed to various claims and litigation. The Company believes that these claims and litigation will not give rise to any material costs and will not have a material impact on its financial position, business and/or results of operations.

NOTE 35. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES AS OF DECEMBER 31, 2003

Off-balance sheet schedule as of December 31, 2003 broken down as follows :

In € millions	< 1year	1 to 5 years	> 5 years	2003	2002	2001
Loans, credit lines and bank overdrafts (1)	40	-	27	67	42	27
. Put Accor	-	-	-	-	-	66
. Hotels Australia	-	46	-	46	46	46
. Hotels Italy (25%)	-	-	-	-	39	32
. 30% call option on Go Voyages	-	22	-	22	29	-
. Hotels Hungary (Pannonia)	-	-	-	-	-	26
. Novotel Paris Tour Eiffel	-	9	-	9	9	17
. Hotels Switzerland	-	6	-	6	6	6
. Others unilateral purchase commitments	8	-	-	8	5	12
Unilateral purchase commitments	8	83	-	91	134	205
Other financial and commercial commitments (6)	-	62	76	138	100	40
Total December 31, 2003	48	145	103	296		
Total December 31, 2002	91	136	49		276	
Total December 31, 2001	162	110	-			272

- (1) The €67 million remaining in guarantees given under financing transactions mainly concern a €25 million commitment given to the banks financing the Dorint AG acquisition (see note 2.B.3)
- (2) As part of a 10-year management contract for the Mercure Sydney Railway Square hotel, opened during the fourth quarter of 1998, Accor has granted the owner of the property a €46 million put option on the property, exercisable after January 1, 2004. Construction costs borne by the owner totalled approximately €63 million.
- (3) In August 2003, IFIL sold its 25% share in Sifalberghi to Accor for €32 million.
- (4) On the basis of December 2003 accounts, the exercise price for the call option upon Go Voyages amounts to €22 million.
- (5) Under the agreements signed between Colony and Accor at the time of acquisition of Novotel Paris Tour Eiffel, Colony was given a put option on 60% of outstanding Front de Seine Participations shares, exercisable between the fifth and the seventh year. The price will be based on 10 times EBITDA less debt.
- (6) Other financial and commercial commitments include a guarantee given to the owner of four Ibis hotels in Poland, covering the payment by Orbis of annual rentals representing a total discounted amount of €28 million.

To the knowledge of the Group, there are no commitments other than the ones listed above, according to the current accounting standards.

NOTE 36. CONSOLIDATED COMPANIES PROFIT BEFORE TAX

In € millions		2001	2002	2003
PROFIT BEFORE TAX		758	703	523
Cancelation of Income from companies accounted for by the equity method		(20)	(14)	6
CONSOLIDATED COMPANIES PROFIT BEFORE TAX		738	689	529
Gains and losses on disposal of hotel properties		29	54	68
Gains and losses on disposal of other assets		66	(30)	(17)
Income tax		(238)	(226)	(155)
Exceptional items (net of tax and minority interests)		-	68	-
CONSOLIDATED COMPANIES NET INCOME		595	555	425

NOTE 37. MAIN SUBSIDIARIES AND AFFILIATES AT DECEMBER 31, 2003

FRANCE

1	SMI France	100.00%	6	SFPTH SA	99.49%
1	SNC DGR GO	100.00%	1	Hotexco	100.00%
1	SNC DGR RAM	100.00%	1	SCHE	100.00%
1	SNC DGR IDF	100.00%	1	Exhotel	100.00%
1	Accor Redevances	100.00%	6	DEVIMCO	99.97%
1	PIH	100.00%	6	Accor Réservation Service	100.00%
1	MIH	100.00%	6	S.H.C.D. (*)	34.90%
1	S.E.H.S.	98.35%	6	Académie Accor	100.00%
1	Sté Hôtelière Nice Centre (*)	45.00%	1-6	Frantour SA	100.00%
1	S.P.F.H.	100.00%	2	Go Voyages	70.00%
4	Financière Courtepaille (*)	20.00%	6	Restaupro	99.96%
4	Lenôtre	98.75%	6	French Line Diffusion (*)	43.87%
6	Accor CASINOS SA (**)	50.00%	3	Accor Services France	100.00%

EUROPE

GERMANY

1	Accor Hôtellerie DTC	100.00%
3	Accor Services Deutschland	100.00%
1	Accor Hôt Mercure Management	50.97%
1	Dorint (*) (***)	40.19%

AUSTRIA

1	Accor GmbH	100.00%
3	Accor Services Austria	99.17%

BELGIUM

1	Accor Hôtels Belgium	98.90%
1	Accoordination	99.33%
3	Accor T.R.B.	100.00%
6	CIWLT	99.49%
2	WL Tourisme (**)	49.74%

DENMARK

1	Accor Hotels Denmark	100.00%
2	World Tourist (**)	49.74%

SPAIN

1	Accor Hoteles Espagne	100.00%
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GREECE

1	SH Athènes Centre (*)	41.82%
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HUNGARY

1	Pannonia	74.39%
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ITALY

4-3	Gemeaz	94.64%
1	Sifalberghi	96.28%
6	Scapa Italia	97.00%
5	Treno	99.49%
1	Famosa Immobiliaria	96.28%
1	SGAI	99.49%

NETHERLAND

1	Novotel Nederland	100.00%
1	Nhere BV	100.00%
1	MMH Mercure	100.00%
1	Postiljon	100.00%

PORTUGAL

3	ESA	97.50%
1	Portis Goldtur (**)	50.00%

POLAND

1	Orbis (*)	35.58%
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UNITED KINGDOM

1	Accor UK Up and mid scale	100.00%
2	WLT Travel UK (**)	49.74%
3	Luncheon vouchers	100.00%

SWEDEN

3	Rikskuponger	99.90%
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SWIZERLAND

1	Accor Suisse	100.00%
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LATIN AMERICA	NORTH AMERICA
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ARGENTINA

3	Servicios Ticket	100.00%
1	NSB	100.00%

BRAZIL

1	H.A.B SA	71.31%
4-3	T.S. do Brasil	49.99%
6	DALKIA	49.99%

MEXICO

2	WLT Mexicana	99.49%
3	Accor Servicios Empresariales	98.00%

CHILE

3	Accor Services Chili	74.35%
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ASIA-PACIFIC

1	AAPC : Accor Asia Pacific Corp.	100.00%
2	HQ Asia (**)	49.74%
3	AS Australia	100.00%

OTHER COUNTRIES

1	Saudi Hotels Management	100.00%
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CANADA

1	Novotel Canada	100.00%
2	Carlson Canada (**)	49.74%

UNITED STATES

1	Novotel USA	100.00%
1	IBL Ltd	100.00%
1	Red Roof Inns	100.00%
1	Accor Lodging North Am.	100.00%
2	Carlson USA (**)	49.74%

AFRICA

IVORY COAST

1	Société Abidjanaise	74.92%
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MOROCCO

1	Risma (*)	45.29%
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SENEGAL

1	SPHU (Hôtel Union)	96.72%
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- (*) Company accounted for by the equity method
 (**) Company consolidated using the proportional method
 (***) Company consolidated for the first time in 2003

NB 1 : Percentage indicates Group interest.

NB 2 : A comprehensive list of consolidated subsidiaries and equity holdings is available to Company Shareholders upon request.

1 Hotels	3 Services	5 Onboard Train Services
2 Travel agencies	4 Public restaurants and institutional catering	6 Other services